

Australia	63.54	Indonesia	10,100	Philippines	20,000
Belgium	100.00	Iran	1,000	Poland	20,000
Canada	100.00	Italy	1,000	Portugal	20,000
Denmark	100.00	Japan	1,000	Spain	20,000
France	100.00	South Korea	1,000	Sweden	20,000
Germany	100.00	Taiwan	1,000	Switzerland	20,000
Greece	100.00	Thailand	1,000	UK	20,000
Hong Kong	100.00	USA	1,000	West Germany	20,000
India	100.00	Yugoslavia	1,000		

FINANCIAL TIMES

BRAZIL
High costs of bringing
inflation to heel
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FT No: 31,154
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Tuesday May 22 1990

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World News

Indian forces kill more than 80 mourners in Srinagar

Indian security forces opened fire on a crowd of 100,000 carrying the body of a senior religious and political leader in Srinagar, killing between 80 and 100 people and injuring more than 300.

Europe's role grows

Nato's European defence ministers agreed that they must take over some of the defence burden from the US.

Election endorsed

Foreign observers sent to vet the Romanian election gave the poll qualified endorsement, in spite of numerous irregularities and difficulties in distinguishing between cases of fraud and ignorance of electoral procedures.

China ends austerity

China has ended a 20-month austerity programme and is willing to risk inflation as it rebuilds its battered industries, a senior Chinese economist said.

Violent campaign

Guns were shot off in a violent campaign to elect a senator in Colombia's May 27 presidential elections, in a wave of violence before the poll.

Yemen unity agreed

South Yemen's parliament ratified a merger with North Yemen, a formal declaration of which is expected at noon today.

Liberal port taken

Rebels seeking to topple President Samuel Doe captured Liberia's second biggest port of Buchanan after two days of fighting, travellers from the area said.

Cease-fire pledge

The Salvadoran Government and leftist rebels pledged to reach a cease-fire in their 10-year-old civil war by mid-September under a preliminary accord signed after five days of talks in Caracas.

Officers executed

Ethiopia executed 12 high-ranking military officers for their involvement in a 1989 coup attempt against President Mengistu Haile Mariam.

Jewish settler funds

Prime Minister Yitzhak Shamir won parliamentary approval to spend more than \$17m on Jewish settlements in the Israeli-occupied territories.

Emir drops charges

The last two of 14 pro-democracy activists detained in Kuwait were freed and the Emir suspended legal action against all of them.

S African violence

Heavily armed police officers patrolled the township of Thebong outside Welkom after three more blacks were reported killed during further clashes with police.

Business Summary

EC agrees measures to create single energy market

THE European Community took its first steps towards creating a single market in energy, by agreeing measures which will encourage cross-border trade in electricity, and make it easier for big energy users to shop around.

MARKETS

The fall in Frankfurt and the surge in Milan, both on interest rate considerations, were prominent features on a Continental bourse scene which has tended to see these markets' strengths and weaknesses in quite another way.

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Sri Lankan strike

Sri Lanka's Tamil north and mixed-race east came to a complete halt in response to a strike call by the Tamil Tigers.

Three Palestinians die as residents defy Israeli curfew in occupied territories

UN to debate West Bank, Gaza killings

By Laila Andoni in Amman, Tony Walker in Cairo and Lara Marlowe in Beirut

THE UN Security Council will meet today to discuss the growing violence in the Israeli occupied territories as outrage swept the Arab world over the weekend's violence in which 14 Arabs were killed in Israel and the occupied territories.

Three more Palestinians were killed in the occupied Gaza Strip yesterday as thousands of residents defied a blanket curfew to demonstrate against the shootings, which set off a surge of rioting and clashes with Israeli security forces.

The army dispatched reinforcements to the occupied territories. The protests began on Sunday after the killing of seven Gaza labourers by an Israeli gunman.

Earlier yesterday in the Jordanian capital Amman a lone Arab, shouting "Gaza martyrs", attacked a group of French tourists. Nine tourists were wounded in the pistol and knife assault. Thousands of



An Arab woman screams at an Israeli border guard after her son was arrested in Gaza

protesters in the city took to the streets to protest at the slaying.

The US state department described the shooting as "very horrible, very tragic" and said it was disturbed by the large number of Palestinians killed and wounded by Israeli troops in the violent aftermath.

The Palestinian Liberation Organisation demanded that Arab states take concerted, unified action, including possible economic sanctions against the US, to protect Palestinians under Israeli occupation.

Mr Richard Boucher, State Department spokesman, said the US was "disturbed by the number of casualties inflicted by the Israeli army".

"We've repeatedly called on the government of Israel to exercise restraint in these situations in order to avoid heavy casualties such as took place yesterday," he said.

Mr Boucher said the lack of a viable peace process in the Middle East increased the danger that such incidents would provoke a spiral of violence.

In an unusual spillover of the 29-month-old intifada, or uprising, within the pre-1967 borders of Israel, the Israeli Arab community declared a one-day strike and took to the streets to demonstrate support for their fellow Arabs in the West Bank and Gaza.

In mainly Arab Nazareth, shots were reported fired in the air to help disperse a crowd which battled with police, threw up road blocks and smashed Israeli shops.

Yasser Abed Rabbo, a member of the PLO's inner cabinet, blamed US support for Israel for what he described as crimes committed against the

Palestinian people.

His call for strong action comes just a week before Arab heads of state convene in Baghdad for an emergency summit to discuss the dangers to regional stability posed by

Continued on Page 20

French tourists attacked in Amman; Greeks recognise Israel, Page 5

Moscow to raise consumer prices

By Quentin Peel in Moscow

AN ECONOMIC reform package for the Soviet Union which would double food prices while attempting to soften the blow with direct compensation payments to workers, is set to be presented this week by Mr Nikolai Ryzhkov, the Soviet Prime Minister.

He will present the plans in the face of a growing campaign by radical deputies in the Supreme Soviet (standing parliament) for his resignation because of the disastrous failure of Soviet economic policy over the past year.

First details of the package were published yesterday by Interfax, the news service published by Radio Moscow, on the eve of a critical Presidential Council meeting, which has to give its blessing both to the price reform measures and a whole range of laws intended to switch gradually to a market economy.

The proposals appear to be much more cautious than first ideas floated by economic advisers to Mr Mikhail Gorbachev, the Soviet leader.

The most significant proposals are on price reform. The preferred option of the government, Interfax says, is to bring most retail prices of foodstuffs and manufactured goods into line with "the real conditions of production" in one move in January 1991.

That will mean that prices, on average, will more than double for foodstuffs, with the highest rise for bread - set to rise by 70 per cent, and triple for fish, to rise by 1.5 times, and meat, to go up by 2.5 times.

Other hefty increases will include communal services - excluding rents - which are set to rise by 70 per cent, and wages and salaries (up by 50 per cent), household electricity (100 per cent), and gas (40 per cent).

Truck maker to sell off shares and compete on world market

By Leyla Boulton in Moscow

THE SOVIET Union's main heavy truck manufacturer, Kamaz, wants to sell off shares in a pioneering scheme to raise capital and compete on world markets.

Kamaz would offer 49 per cent of its shares to outside investors, including companies outside the Soviet Union, said Mr Nikolai Bekh, the director of state-owned enterprises.

"He said in an interview that an ambitious modernisation plan required fresh investment of at least \$500m (33.6bn) by the end of the century."

"Kamaz heavy trucks are already on the world market. However, in order for them to be more competitive, we need to do a lot to perfect them, to modernise our technology and to resolve a whole series of social problems," he told Pravda, the Communist Party daily.

"This was because it was unrealistic" to count on the state for investment on such a

large scale.

"Only one hope remains - the resources of the financial market," Mr Bekh said. "Many enterprises and organisations, including consumers of our products, have resources which they are ready to plough into the development of Kamaz," he added, without giving details of would-be investors.

Western businessmen expressed interest in the plan as a way for patient foreign companies to secure a foothold in the Soviet market.

But they foresee difficulties in pricing the shares in an economy with controlled prices and a non-convertible currency.

"There will be many, many problems to estimate the real value of each share," said one executive with a western car and truck manufacturer in Moscow.

Mr Bekh did not say whether the plan for a joint-stock com-

pany, leaving the state with a 51 per cent stake, was just a first step towards full privatisation.

Unlike previous share offerings in the Soviet Union, the plan would allow all shareholders a say in the running of the enterprise, Mr Bekh said.

A 1988 decree allows Soviet enterprises to issue shares, primarily to their own workers, but Kamaz's plan extends to a whole range of investors, including co-operatives, individuals and foreign entities.

A reform package due to be unveiled by the Government later this week is expected to create a securities market, encourage foreign investment and the break-up of state monopolies.

The Kamaz enterprise, which consists of 13 factories and 200 service centres scattered around the country, has produced more than 1m trucks since it opened in 1976.

Malaysia pulls out of £400m Tornado fighter aircraft order

By Paul Betts, Aerospace Correspondent, in London and Lim Siong Hoon in Kuala Lumpur

MALAYSIA has cancelled plans to buy up to 12 Tornado fighter aircraft for £400m (\$672m), dealing a further blow to the export hopes of the aircraft's Anglo-German-Italian producers.

It is the third country to cancel orders for Tornado jets. Jordan and Oman both cancelled earlier orders last year, leaving Saudi Arabia's order for 150 aircraft as the only order for the Tornado outside Nato.

The Tornado aircraft order was regarded as the backbone of the £1bn arms package deal Mrs Margaret Thatcher, the British Prime Minister, signed with the Malaysian Government two years ago.

It is not clear why the Malaysians have pulled out. One suggestion is that the Tornado has proved too expensive and unnecessarily sophisticated.

A senior Malaysian government official said last night: "It forms part of a reassessment of Malaysia's defence needs in the light of the changed political climate in the south-east Asia region."

As super-power tensions ease and regional conflicts such as the Vietnamese occupation of Cambodia are resolved, defence exporters will find it increasingly difficult to persuade smaller states to buy expensive and sophisticated weapons systems.

Another possibility is that pressure from other countries in the Association of South East Asian Nations, notably Singapore, for commonality of procurement has made the Malaysians take another look at US options.

More than 920 Tornados have been sold since the highly successful programme was first started, mainly to Nato.

But the UK has been anxious to prolong the life of the Tornado programme through export orders to ensure a smooth transition to the European Fighter Aircraft programme, the next generation combat aircraft due to come into production in 1996.

The EFA is now facing uncertain prospects because of defence cuts.

disclosed by a report in the latest issue of Flight International, the specialised aerospace magazine, to be published tomorrow.

British Aerospace, which has spearheaded the Tornado export drive, said that talks were continuing on a government to government basis with Malaysia and that the UK group was acting in support of these talks.

Bae, which has a 42 per cent stake in the Tornado Panavia consortium, claimed it had "no formal information that the Tornado had been abandoned" by Malaysia.

However, defence industry experts confirmed the Flight International report that Malaysia had decided to abandon the contract. They also confirmed negotiations between Bae and Malaysia for the sale of Hawk fighter and advanced trainer aircraft to replace the planned Tornados.

This could, if successful, Continued on Page 20

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German unity may take time to sink in at street level

Mr Lothar de Maiziere, East German Prime Minister, has said Germans should stop referring to each other as easterners and westerners, but rapid institutional integration may have the opposite effect at street level.

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MARKETS

STERLING	DOLLAR	STOCK INDICES
New York close	New York close	FT-SE 100
\$1.6855 (1.6800)	DM1.834 (1.6480)	2,221 (+13.0)
London:	FF45.605 (5.5680)	FT Ordinary
\$1.681 (1.6805)	SFR1.4225 (1.4050)	7,810.8 (+17.5)
DM2.8125 (2.780)	Y158.72 (158.05)	FT-A All-Share
FF4.4775 (2.50)	London:	2,944.88 (+24.77)
SFR2.4050 (2.375)	DM1.8335 (1.6480)	S&P Comp
Y259.5 (255.5)	FF4.6250 (5.5550)	358.00 (+3.56)
S Index 88.7 (88.2)	SFR1.4225 (1.4045)	Tokyo Nikkei
Y259.5 (255.5)	Y153.50 (152.90)	31,785.05 (-248.64)
New York: Comex Jun	S Index 67.3 (67.1)	31,785.05 (-248.64)
\$374.1 (371.5)	Tokyo close: Y153.25	31,785.05 (-248.64)
London:	US closing rates	31,785.05 (-248.64)
\$373.25 (368.75)	Fed Funds 8.3% (8.2)	31,785.05 (-248.64)
M SEA OIL (Argus)	3-mo Treasury bill	31,785.05 (-248.64)
Brent 15-day Jul	yield: 7.978% (7.922)	31,785.05 (-248.64)
\$17.45 (17.225)	Long Bond	31,785.05 (-248.64)
Chief price changes	100% (100.1)	31,785.05 (-248.64)
yesterday: Page 21	yield: 8.679% (8.604)	31,785.05 (-248.64)

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EUROPEAN NEWS

Egalitarian hackles look likely to rise at news of Gorbachev's pay rise

AS IF deliberately flouting the evidence of a slump in his popularity, and growing public fears at the prospect of soaring inflation, President Mikhail Gorbachev yesterday won for himself a hefty pay rise, writes Quentin Peel in Moscow.

Barely a week after a draft law was presented to the Supreme Soviet, the nation's standing parliament, proposing tough prison sentences for anyone guilty of insulting the president, the legislature yesterday received and approved a new

law granting him the pay rise, and spelling out a string of special presidential benefits.

The deal seems certain to arouse the anger of egalitarian radicals, who are convinced that the Soviet president is accruing excessive power and privilege just as the country's economy is collapsing.

However the irony is that the laws have been published as a demonstration of glasnost - to show that the privileges once hidden to public view can be debated and dem-

ocratically approved. "This is another step towards a law-governed state, where all spheres of life are regulated by law and not by secret instructions," Tass news agency declared.

The new presidential salary will be Rb4,000 (\$4,000) a month, or Rb2,300 a month after tax. The original proposal to give him Rb2,500 tax-free was rejected by the deputies, because it was said to be unfair to give him tax exemption. Although certainly not excessive

in terms of international comparisons for a head of state, the presidential package is unfortunately some 10 times the Soviet average industrial wage. Moreover the bill mentions "hospitality expenses" on top.

In addition, Mr Gorbachev will have an apartment in Moscow, an official dacha outside the city, along with a holiday home in the Crimea, specially-equipped aircraft and helicopters, and "special" cars - presumably a reference

to bullet-proof Zil limousines.

Even Pravda, the most loyal Communist Party newspaper, has mentioned in recent weeks the growing unpopularity of the president. Kommunistyaya Pravda, the Communist Youth League paper, published a scathing criticism of the law on insulting the head of state, pointing out that nobody bothered to define an insult.

But he has at least one thing going for him. A string of Soviet enterprises and organisations,

including the Bolshoi Theatre and the Soviet Association of Engineering Colleges, have just founded the new Fans of Gorbachev Club for the Renovation of the World.

Its aim, the founding fathers declared, is "to support the course proclaimed by Mikhail Gorbachev, creation of the atmosphere which is most favourable to his reforms, consolidation of all walks of society around these reforms, and fostering of a respectful attitude towards the head of state."

Nato talks aimed at easing the US burden in Europe

Nato's European defence ministers agreed yesterday that they must take more of the defence burden from the United States now that the Cold War is at an end, Renter reports from Brussels.

The ministers, meeting the day before a scheduled gathering of all Nato's defence ministers, also ordered a study into how to set up multinational units as part of Europe's future defences.

In a statement they said the threat of an attack from the Warsaw Pact had been "significantly reduced" by the changes in eastern Europe and unilateral arms cuts by its members.

"The Europeans will assume a greater responsibility," Mr Narcis Serra of Spain told a news conference.

"We have to accept that the major part of (conventional force) reductions will be for our allies in North America," Mr Gerhard Stoltenberg of West Germany said.

Under western proposals for a Vienna treaty on cutting conventional forces in Europe (CFE), the United States and the Soviet Union will cut their troops in central Europe to 185,000 on each side.

Thousands of tanks, artillery pieces and armoured personnel carriers will also be scrapped, Mr Stoltenberg and Mr Serra said. Cuts in European forces could not be ruled out and that the United States and Canada should keep some forces in Europe, Washington, with 300,000 troops in Europe, has often complained of its share of the defence burden.

Alitalia and Iberia to share routes

IBERIA and Alitalia, the Spanish and Italian airlines, said yesterday that they planned to work together to exploit each other's strengths in Latin America and Asia, Renter reports from Madrid.

Chief executives of both airlines signed a co-operation agreement under which they would use Rome and Madrid as strategic transit hubs through which they can share routes over which they have a competitive edge. The pact between Iberia and Alitalia is the latest in a series of co-operation arrangements between European carriers.

Under the deal the Spanish and Italian carriers will pool Iberia's routes between Madrid and Mexico City and Alitalia's between Rome and Bangkok, through block agreements in their respective aircraft.

Officials from both companies said the agreement seeks to exploit a 700,000 passenger market and attract 140,000 new customers to the Rome-Madrid-Mexico route, and 40-50,000 extra on the Madrid-Rome-Bangkok route.

Mr Narcis Andreu, Iberia's chairman, said the accord did not affect competition and let each airline free to negotiate similar agreements elsewhere.

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Brussels teachers strike over pay claim

By Tim Dickson in Brussels

TENS of thousands of students and teachers in the French-speaking part of Belgium backed a bitterly contested pay claim yesterday by staging strikes and demonstrations.

Leaders of one of the teaching unions last night claimed 50,000 people had taken to the streets and vowed that the turnout next Monday would be 100,000.

The dispute has highlighted financial implications of Belgium's recent move towards a more federal political system, designed to defuse tensions between French and Flemish speaking parts of the country.

Most powers devolved at the beginning of last year were conferred on the three regional governments of Flanders, Wallonia and Brussels. But education, previously dealt with in two compartments of a single national ministry, was made a responsibility of the Flemish and francophone communities, which have traditionally been responsible for cultural issues.

Belgium's education system is widely considered to be among the best in Europe. However, with separate systems for the two language groups, separate systems for the state and private (Catholic) sectors and an extraordinarily wide curriculum, it is now a considerable financial burden.

The immediate problem is that the two communities have no revenue-raising powers of their own and are dependent for their funds on a share of Value Added Tax revenues from the national budget.

The Flemish community, however, has been able to break through this constraint by getting money from the Flemish regional government and has promised its teachers a 2 per cent real increase in their salaries for each of the next three years.

The francophone community (which covers Brussels and Wallonia) is in no position to meet teachers' demands for similar treatment. The only solution is to seek central government help - something unlikely to succeed because Flemish politicians will veto it - or appeal to the Belgian and Brussels regional governments, whose political rivalry is an obstacle.

Hungary may imitate Finland

TWO MINISTERS in Hungary's centre-right coalition said yesterday, on the eve of taking office, that the country should quit the Warsaw Pact but should build up Finnish-style friendly ties with the Soviet Union, Renter reports from Budapest.

The new Defence Minister, Mr Lajos Fur, told a parliamentary committee on defence that he aimed ultimately to take Hungary out of the Soviet-led military alliance.

New Foreign Minister, Mr Gábor Jászaprádi, told a parliamentary committee on foreign affairs that Budapest had a unique chance to consolidate its independence, but should take neutral Finland's friendly relations with Moscow as a model.

Factory workers strike against Estonian independence drive

By Christopher Bobinski in Tallinn

WORKERS at some 20 factories in the Estonian capital of Tallinn and several outlying towns in the Soviet republic voted yesterday to strike in an attempt to force the Baltic state to retract its declaration of independence.

The stoppages, which could cost for some days, have affected the rail freight terminal, a local port and short-range flights from the city.

They came at the behest of a strike committee strongly influenced by local pro-Moscow Communist Party officials.

But though the strikes are directed against the Estonian independence drive, they appeared strongest at plants like Dawigat, an arms factory employing 5,000 workers, which directly supply the Soviet economy outside the

rebellious republic.

Yesterday morning, as party and trade union leaders in factories called meetings to argue for the stoppage, the Estonian parliament voted 57 to 20 against even considering the recent decree from President Mikhail Gorbachev which called the republic's recent independence legislation invalid.

Despite the strikes, the city remained calm and the republic's parliament continued with its scheduled business passing a new law banning political parties from the police, judiciary and security services.

In response to the strikes, the Estonian farm ministry yesterday ordered a cut in supplies to factory canteens where strikes are in progress.

At the RIST electronics plant in Tallinn, which employs some 3,000 workers, a meeting heard speakers say of the Estonian aspiration to independence: "If things go on like this, then we'll have to take up arms to defend the Soviet Union."

Others accused the Estonians of "replacing pride in their country with naked nationalism."

Finally 62 per cent of the workers at the plant voted to strike for two days.

The strike committee is also demanding the prices policy be determined in Moscow and not independently in Estonia.

The demand comes on the eve of a debate today in parliament on the government's free market-orientated economic programme, which includes provisions for price rises, albeit those compensated by wage rises.

Parkinson criticises 'huge subsidies' for railway networks

By Richard Tomkins, Transport Correspondent, and Paul Abrahams

MR OSCAR Parkinson, Britain's Secretary of State for Transport, yesterday criticised EC countries that supported their railway networks with "huge subsidies."

He said the European Commission shared Britain's view that rail should play its part in a competitive railway regime.

"It is no part of the Commission's policy to extend to other countries the hugely over-subsidised regimes that exist in some."

Mr Parkinson made his remarks in an opening address in London to the Financial Times conference on European Transport in the 90s.

He said the Commission recognised that it was unfair for air, road and shipping services to have to compete with a subsidised rail network.

"Their policy is not to urge on us the sort of huge subsidy that is the norm in other countries. It is to move railways towards a regime in which subsidies are not a part of their

normal commercial activities."

Mr Parkinson recognised the need to subsidise for social or regional reasons, as with British Rail's provincial network. But no subsidies were justifiable for services such as Inter-City, parcels and freight which were competing in the marketplace.

"It seems to me that the policy we have been following has much more in common with the policies the Commission is proposing than those of some of the countries that are held

up as examples of how we ought to be."

Mr Parkinson said, the Commission's director-general for transport, said that for the first time since the Treaty of Rome was signed 35 years ago, the European Commission was about to get a true internal market in transport.

Previous attempts to integrate transport policy, he said, had fallen victim to the Council of Ministers' transport working groups, "otherwise known as demolition squads", but the Single Act meant everyone was now in a hurry to create an internal transport market.

Mr Parkinson saw implications for every mode of transport in Europe. "Our railways will have to learn to compete, to abandon perhaps their monopoly and to compete on certain lines and at certain moments, under certain conditions, with other modes of transport."

He said the Commission was proposing that in the future the EC "might exist in the future in the EC."

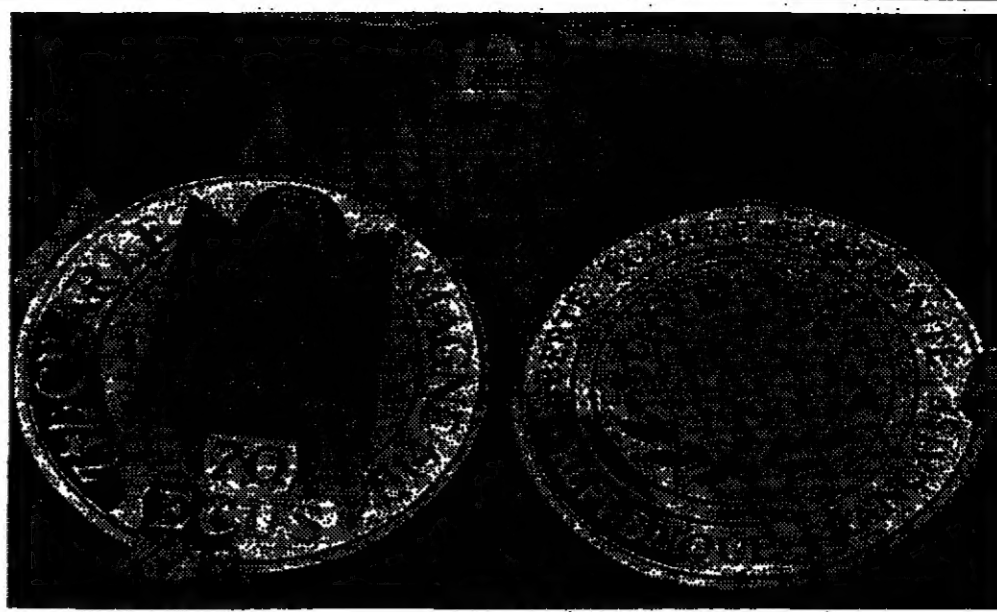
Mr Daniel Vianesi, the Commission's director of air transport and infrastructure, also concentrated on the implications for the rail network.

He said railway companies, because of their national status, had serious difficulties in running international traffic and in offering a quality of service that could compete in international business.

He said tariff structures still reflected national interests too strongly while technical barriers included gauge differences and differing voltages of electrified lines.

The Commission, he said, had formulated proposals covering four aspects: relations between public authorities and the railway companies; the organisation of a high-speed network; the development of combined transport, and technical harmonisation.

Mr André Béreng, chairman of Eurotunnel, said he was dismayed by the lack of progress in curing the "chronic" of



The director of the Paris mint, Mr Fabrice Cahart, displays giant models of France's new coins commemorating the European currency union. Carrying a portrait of the Holy Roman Emperor Charlemagne, who ruled much of Europe in the ninth century, the 2,000 platinum and 5,000 gold coins have a face value of 100 francs (16.67 euros). They are aimed mainly at collectors and are legal tender in France, where they are worth FF500. A further 30,000 silver Euro15 pieces are also being issued.

Developed countries' spending dips

TOTAL MILITARY spending fell 2 per cent last year to \$850bn (\$850bn) of which an estimated \$810bn was spent by developed countries, Sipi says, writes Robert Taylor in Stockholm.

However, the slight fall is due to what the organisation calls "systemic factors" such as technological sophistication and budget constraints. "Neither the political will to pursue reductions beyond this level nor the reward in the form of a disarmament dividend or peace prize are forthcoming," it notes.

Sipi calculates that Nato countries spent around \$111bn on arms procurement in 1989, with \$45bn of that coming from members of the European Community.

Total defence spending in the EC rose above \$152bn, more than five times Japan's expenditure on arms.

The yearbook estimates that Soviet military spending in 1988 amounted to 13 per cent of the country's gross domestic product, about double that of the US, but Sipi shows understandable caution about any estimate on Soviet figures for last year.

US provides nearly half world's top arms makers

US GROUPS make up 48 of the world's top 100 weapons makers, the Sipi yearbook shows, writes Robert Taylor in Stockholm.

McDonnell Douglas is the world's biggest private arms producer, with 56 per cent of its 1988 sales of \$15.072bn (\$8.97bn) coming from arms.

Lockheed follows, with 79 per cent of its 1988 sales of \$10.55bn.

Sipi shows that 13 of the arms-making top 100 are UK companies; 10 are French and nine West German.

British Aerospace is the sole non-US group in the top 10, with as much as 54 per cent of its 1988 sales of \$10.044bn coming from arms.

Most companies listed by Sipi produce more than just armaments, but the institute has found that as many as 32 of the top 100 generate half or more of their business from arms production.

Five Japanese corporations appear in the Sipi top 100, reflecting Japanese industry's growing interest in defence contracts. But only an estimated 5 per cent of Mitsubi-

shi's sales in 1988, and 34 per cent of Kawasaki Heavy Industries', came from arms.

The world's top five companies accounted for more than 20 per cent of the top 100's combined arms sales, while the top 25 companies account for almost two thirds of the world's arms trade.

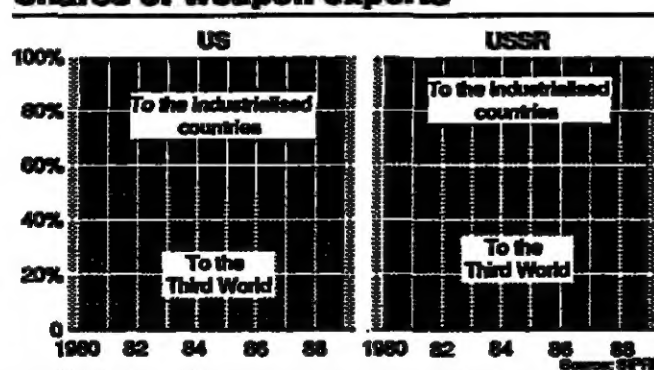
The degree of business concentration is striking. Eight of the top US corporations among the leading 20 arms producers depend on arms production for half or more of their output.

The institute says recent events such as the political changes in Europe, improved arms control negotiations between east and west, budgetary pressures and changes in military technology are leading to "over-capacities in the world arms industrial base".

But the dependence of many companies on arms production will make it hard to retool their activities to more peaceful activities, it is suggested.

"Governments in the west should seriously plan for conversion of parts of the arms industry; otherwise corporations may truly consider themselves as 'victims of peace'," says Sipi.

Shares of weapon exports



the industrialised countries last year, compared with only \$4.776bn five years ago.

India was the main Third World recipient, purchasing arms worth \$3.819bn in 1989 and \$17.345bn over the past five years.

In 1989 Afghanistan imported \$2.289bn worth of arms, mainly from the Soviet bloc, and North Korean imports were worth \$1.553bn.

However, the total arms trade fell to the developing countries was, at \$16.477bn, the lowest figure since 1976.

Sipi estimates that the total value of the global arms trade last year was \$31.819bn, a clear fall on the figures for the rest of the 1980s.

But the yearbook argues that the decline stems less from a growing relaxation in international tensions than from growth in the armaments industries of Third World countries like Iraq.

Sipi yearbook: Oxford University Press. \$40

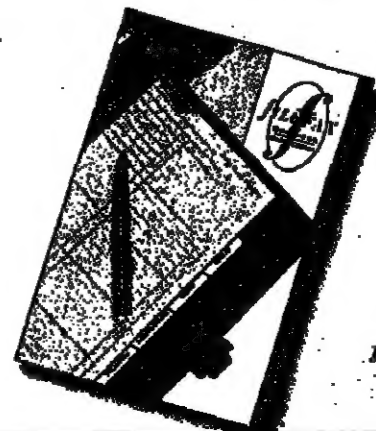
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EUROPEAN NEWS

E Germans call for temporary import tariffs

By David Goodhart in East Berlin

A GROUP of businessmen from East Germany's consumer and household goods industries have been lobbying their own government, so far unsuccessfully, to introduce temporary import controls on West German goods after economic union on July 2.

Mr Friedhold Bismiel, one of the leaders of the group and general director of the wine, spirits and sekt *Kombinat* (state-owned producer), based in East Berlin, said yesterday that 60-70 per cent of the East German food and drink industries, as well as agriculture, would be uncompetitive without protection for a temporary adaptation period.

He has written to Mr Lothar de Maizière, East German Prime Minister, calling for a 35 per cent tax on imported West German spirits and for imports to be raised only to the level of East German exports (currently 6m bottles a year).

Although phased import controls are being discussed by both German governments, no decision has yet been taken and Mr Bismiel fears that a decision could be indefinitely delayed. The agricultural min-

istries of both countries have, however, agreed to introduce quotas on West German farm imports after June 1.

Mr Bismiel, and other East German consumer goods bosses, have been incensed by the behaviour of the East German wholesalers who had been, until last week, boycotting many domestic goods since March.

Mr Bismiel said the wholesalers were under pressure from consumers wanting West German products regardless of price, quality and the job consequences, but also from the retailers who had the higher mark up on West German goods.

Most retailers have now begun selling East German products again, at hugely discounted prices, but Mr Bismiel remains unhappy about the extent to which West German producers are gaining privileged access to the East German market. "In some cases they are paying alcohol duties in neither state and thus hugely undercutting us."

Mr Bismiel expects to close half of his 14 factories and sack half of his 4,000 workers.

Risks 'high' for oil companies

By Steven Butler

A RUSH of western oil companies into East Germany was predicted yesterday by Mr Wilhelm Borne, a director of Veba Oel, the West German oil company. But he warned that the risks would be high.

Speaking at the European Petroleum and Gas Conference, sponsored by the Financial Times, he said East Germany would require DM7bn-DM10bn (\$2.62bn-2.53bn) to refurbish its oil marketing and refining industry.

"To start too early in East Germany may lead to unpleasant results; to wait until all the terms and conditions are clear, may result in losing the best chances to competitors," he said.

Mr Borne said that companies should only be made in the context of long-term strategy. There would be no quick return and liabilities would have to be taken over. In the long run business could be quite attractive, but it depended on the extent and pace at which the Government dismantled central planning structures and adopted free market institutions.

Primary energy consumption was expected to decline in East Germany as the economy became more efficient. The economy was at least 46 per cent less energy efficient than West Germany's. However, rising efficiency would be achieved by a sharp reduction in the use of lignite, and oil and gas consumption could be expected to rise sharply, particularly as car use becomes more common.

Mr Bernard de Combret, executive director of international supply, trading and shipping at Elf Aquitaine, the French oil group, said the industry might be relatively less affected by the advent of the single European market because it was already international in character. However, he warned that elimination of border controls prior to tax harmonisation would lead to regional distortions in product flow.

Also tax harmonisation could affect inter-product competition and product demand, which could have potentially serious implications for trade.

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Civic Forum woos the countryside

Party is popular but must counter its city image, writes John Lloyd

IN SVATY JAN (St John), a hilltop village in southern Bohemia, Civic Forum holds a meeting in a little hall on one side of the green. Perhaps a hundred people turn up, and ask Forum activists such questions as: can you stop the planned building of the atomic power station nearby? When will prices go up, and by how much? And: Will you beat the Communists in the June 8 elections?

The Communists are barely visible in this pleasant land, whose regional capital, Cesky Budejovice, is a beer-making centre. Mr Jiri Pospisil, a Forum candidate, says: "We hear they go to old people's houses and tell them their pensions will be cut: they hold meetings among themselves."

The villagers of Svaty Jan, while admiring of President Vaclav Havel, are properly sceptical about Prague rule. The Forum campaign tries to address that by demanding more regional autonomy and appointing its own commission to produce policies on agriculture, about which, says Mr Pospisil, "Prague knows nothing."

Civic Forum must dispel the suspicion that it is only a capital city party of intellectuals, and the response appears warm. Still, its candidates include journalists, Charter 77 activists and (the top of the list) Deputy Prime Minister Vladimir Dlouhy.

"I expected I would be facing a rather suspicious crowd," he says. "But when I tell them there will be price rises, and there must be sacrifices, they accept it. These south Bohemian towns will not have seen a deputy prime minister before," says Mr Dlouhy grandly.

Indeed, why should they? Voting in the past for one party was because it was widely assumed you would suffer if you did not. This combination of monopoly and coercion produced a certain leth-

EASTERN EUROPE ELECTS



Czechoslovakia

argy in the candidates. The dominance of Civic Forum throughout the Czech lands causes growing irritation among its opponents, even if its continued moral hegemony, as the initiator of the revolution, keeps the grumbling muted. It still acts as the spokesman of the nation. Last Thursday, it staged a march in Prague to commemorate the critical November 17 demonstration, six months before.

Tennis player Martina Navratilova, one of the many stars in the Czechoslovak diaspora to return, gave an awkward speech from the Forum headquarters balcony which was wildly cheered. The whole thing went out on television, an enormous election booster about which the other parties felt too constrained by the obvious enthusiasm for the event to complain.

Instead, they turn on the Communists, each trying to outdo the other in denunciation. Last Friday, the People's Party, the

Social Democrats, the Socialists and the Slovakian Democrats called for the Communists to be outlawed — a demagogic piece of hucksterism which may rebound, especially since the PF and the Socialists spent most of the past 40 years in slavish subservience to the Communists.

They worry, too, that the political arena has been devalued by the alienating experience most Czechoslovaks have had of politics. Mrs Michaela Freišova, an executive member of the Christian Democrats, says that "the Communists did their dirty work under the name of a party. They have thus caused a certain anti-political mentality. People don't like the word party, it's dangerous, because it means that the necessary support for democracy will still be weak."

Dr Josef Horak, chairman of the social democrats, says that "the Communists succeeded in disgusting everyone with politics. But we must have parties: there is no democracy without them."

He is also critical of Civic Forum's anti-party stance, its refusal to give up its claims to be a "movement" and transform itself into a party. "There is the American saying: if you look like a duck, walk like a duck and quack like a duck, you must be a duck. CF must be a party."

To these charges, Mr Jan Urban, Civic Forum's secretary general, says: "You need to prepare the old playing field before you play football." By which he means that democracy must be consolidated and the Forum remains the only force capable of doing so.

Many of the 23 parties now on the hustings started life under its wing; a few remain there. But the shadow which falls across these placid, spring elections is: will they now have an equal chance to fly?

Opposition balks at Bulgarian poll rules

BULGARIA'S opposition, preparing to fight the former Communist party in elections next month, unexpectedly refused to sign a pre-election agreement yesterday and complained of campaign malpractices, Reuter reports from Sofia.

A televised signing ceremony at the offices of Mr Petar Mladenov, the state President and former Communist Party leader, erupted into chaos when the opposition Union of Democratic Forces (UDF) and more than 30 other opposition groups refused to sign.

The groups instead read out statements of complaint to the cameras.

Mr Zhelya Zhelev, the UDF leader, said his group agreed in principle with the document, which sets out provisions against intimidation before the elections on June 10 and 17.

However, the UDF was worried by some pre-electoral malpractices and felt the Communists (now renamed the Socialist Party) had staged the televised ceremony as a propaganda stunt.

"Although we accept... the document in principle, we do not wish to sign it now," Mr Zhelev said. "We are upset by the conditions in the country at the time we are supposed to sign — violence, falsification of

electoral lists, illegal acts by mayors and Communist party secretaries, the difficulty of publicising our activities at military camps, the monopoly of local mass media by the Socialist Party and the fact that some election committees are closed to representatives of the UDF."

"This document is propaganda by the people who are behind these irregularities," he said.

Thirty-three political groups signed the document and a further 12 signed with reservations. Thirty-five organisations, including the UDF and the former official trade union federation, refused to sign.

Mr Petar Mladenov, who ousted Bulgaria's veteran hardline Communist leader, Mr Todor Zhivkov, last November, at first reacted angrily to the refusal to sign but later said he hoped the parties could reach agreement.

"I cannot understand why the signing of the document was used for childish political propaganda," he said, adding that all the parties agreed earlier this month to sign it.

Western diplomats who were invited to attend the ceremony said they were surprised by the opposition's decision.

"This is practically the real beginning of open confrontation," said one diplomat.

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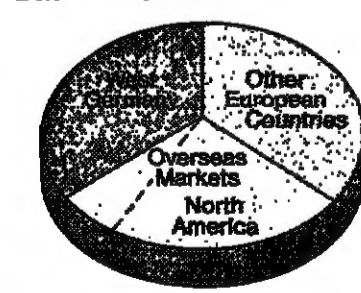
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WORLD TRADE NEWS

EC rebuffs US plan to replace MFA curbs with quotas

By David Buchan in Brussels

THE EUROPEAN Commission yesterday rebuffed the US proposal to replace the Multi-Fibre Arrangement's (MFA) bilateral restrictions with global quotas, as a step backwards that would hurt the interests of developing, as well

as developed, countries. Speaking after an informal weekend meeting of EC trade ministers in Dublin which discussed stumbling blocks to the Uruguay Round trade talks, a Commission spokesman branded as "unacceptable" the

US plan which would for the first time place restrictions on the textile exports of developed countries. The EC is an overall net importer, buying so-called MFA goods - cotton, man-made fibre and wool

products - worth Ecu 25.2bn (£18.5bn) from the rest of the world in 1989 and selling some Ecu 19.2bn of goods. But with the US, the EC had a Ecu 1bn textile trade surplus last year. Brussels officials also claim that the US plan would have

"a negative knock-on effect" on developing countries. The EC, with its own exports restricted for the first time, would feel less inclined to let in Third World textiles, they argue.

In contrast to the US call for

a shift to global quotas over a 10-year period to free trade in textiles, the EC is proposing that existing MFA curbs be phased out entirely, provided Gatt rules and disciplines on subsidies and dumping are strengthened at the same time.

Japan to present Gatt with new trade secrets plan

By Robert Thomson in Tokyo

THE JAPANESE cabinet is expected today to approve tougher regulations on unfair competition, paving the way for Japan to present a long-delayed proposal on trade secrets to the General Agreement on Tariffs and Trade (Gatt).

Japanese companies have been reluctant to bring legislation into line with international standards, for fear that the changes would bring a rush of litigation and because they disagreed over the definition of trade secrets.

But negotiations overseen by the Ministry of International Trade and Industry (MITI) have convinced companies that the changes are necessary, and Cabinet approval today, and then approval by the parliament, are now regarded as a formality for a series of important amendments.

Japan has already delivered a submission on intellectual property to Gatt, but because unfair competition legislation is inadequate by international standards, the document contained no reference to trade secrets. The conspicuous absence had caused concern among the US, EC and other developed countries pushing for the adoption of rules on intellectual property.

The amendments to the

Unfair Competition Prevention Law include specific guidelines on the use of injunctions, which have been imposed inconsistently by Japanese courts until now. The changes also put a greater burden of proof on the companies alleged to be using information illegally.

Trade secrets, or proprietary information, are more clearly defined and are said to include "technical or business information useful for business activities, including manufacturing and marketing methods". Areas covered include management know-how, experimental data, sales manuals and client lists.

A private survey of 1,000 Japanese executives in March found that only 20 per cent supported a tightening of trade secret laws, and that 64.4 per cent were happy to keep the present legislation.

Government officials said yesterday that corporate opposition to the changes had remained until the past few days, "but now we have a de facto consensus".

The Japanese parliament is expected to pass the legislation in coming weeks, and MITI will then be ready to prepare a formal proposal on trade secrets for the Gatt.

Wind of change may blow away textiles protection

Caribbean garment industry faces threat of a US end to preferential access, writes Canute James

THE Caribbean garment industry, pampered by preferential access to the US market, is in some discomfort. Proposals by the US Government to remove protection and administer its imports through global quotas will cause what several officials say is the inevitable collapse of an industry whose shipments are valued at \$1.5bn a year.

The Caribbean has gained a place in the US market through bilateral agreements with Washington which have in turn led to rapid expansion of the industry over the past four years. But hopes for more of the same for the fastest growing sector of the Caribbean's light industry have been dashed by a message from Mr Ron Sornin, the US chief textile negotiator.

He told Caribbean government officials and garment

exporters at a recent meeting in Kingston that US proposals to dismantle the Multi-Fibre Arrangement (MFA) and integrate the textile and apparel trade into the General Agreement on Tariffs and Trade (Gatt) meant the days of bilateral agreements which allowed preferential access were numbered.

"This proposal will have a devastating effect on the garment industry in the Caribbean," said Mr Peter King, chairman of the Caribbean Basin Textile and Apparel Council, a body created recently to deal with the effects of the US move.

The Caribbean reaction, officials said, was partly responsible for two concessions made by Mr Sornin. For the next decade, garments assembled from US fabric and re-exported to the US will not be subject to

the proposed global quotas. Other garments, made of non-US fabric, and shipped to the US, are not to be subject to the annual 10 per cent quota reduction which the US is proposing.

At the end of the decade, however, the region's garment producers will have to fight

able to compete against the high-volume, low-cost production of China, Hong Kong, Bangladesh and India. The Caribbean countries have made quick use of the special programme to re-export garments which have been assembled from fabric made and cut in the US. In the bilateral

trade with Washington, the countries are given "guaranteed access levels" for specified quantities of garments under the programme, with duty paid in the US only on the

value added in assembly.

The region's exporters are expecting shipments to the US this year to earn \$1.7bn, four and a half times the value of exports five years ago.

The speed with which the region has grabbed the opportunities offered by the bilateral agreements with the US is illustrated best in the case of Jamaica. In the decade to last year, the value of the island's shipments grew by an average 56 per cent per year, from \$7m in 1980 to \$53.4m in 1989 and \$245m last year. Employment rose from 6,200 in 1980 to 26,000.

The Caribbean Textile and Apparel Council has argued that what it described as a "Las Vegas" approach to the proposed auctioning of global quotas by the US will create uncertainty among US importers while preventing exporters

from making orderly planning of production. But the region's producers are equally concerned about proposals by the International Textile and Clothing Bureau, made up of several larger producers in the developing world, including India and China.

This group is suggesting an immediate end to the MFA and to all preferential arrangements which have benefited smaller producers.

It is unlikely that Caribbean proposals for a continuation by the US of the special access programmes for the next 20 years will be entertained in Washington. While preferential trade programmes have been used in the past as a show of political support for favoured countries in the region, these would be against the wind of deregulation which is sweeping international trade.

CoCom ready to increase high-tech exports to East

By William Dawkins in Paris

WESTERN TRADE officials have cleared the way for their governments to allow increased exports of sophisticated machine tools to Eastern Europe and the Soviet Union from next month.

A working group of CoCom, the Paris-based Co-ordinating Committee of Multilateral Export Controls, has agreed that machine tools capable of cutting metal to a slide position accuracy of plus or minus 6 microns (one-millionth of a metre) should be exported freely to the East.

Until late last year, the US, CoCom's leading member, was insisting that 10 microns should continue to be the limit.

The agreement, which must be rubber-stamped by next month's meeting of sub-ministerial CoCom representatives, is the first practical result of a series of studies set up in February.

The studies were into liberalising a wide range of the industrial products which are at present subject to CoCom restrictions.

CoCom was established in 1951, during the Cold War, to stop exports of militarily useful industrial goods to the East

bloc. It includes the members of Nato, minus Iceland, but including Japan and Australia.

Its next meeting on June 6 and 7 is intended to be CoCom's first big attempt to scale down controls, in order to reflect the enormous political changes now taking place in Eastern Europe.

Separate working groups are studying the possible liberalisation of two more classes of product, consisting of microcomputers and telecommunications equipment.

Diplomats expect an accord to allow the free export of 32-bit microcomputers. These are twice as powerful as the 16-bit machines at present allowed to be sold to the East.

However, there is much less agreement on telecommunications equipment, including optical fibres and digital packet switches.

While CoCom members accept that working telephones are essential to Eastern European countries' attempts to rebuild their economies, advanced telecommunications equipment could be much more useful to the Soviet military than the other products under discussion.

East Germany approves 1,145 joint ventures

EAST Germany approved 1,145 joint ventures by end-April, most of them for small or medium-size businesses, the official ADN news agency said, Reuters reports from East Berlin.

It quoted Mr Hermann Pfann, head of the authority that advises and approves joint ventures, as saying 90 per cent of the businesses had been set up as limited companies.

About 60 per cent of the ventures are in the tourist or retail trade sectors and virtually all had West Germans as partners.

But Mr Pfann said other countries were also taking an interest and the number of ventures in the production sector was increasing.

Hills drops Super 301 case against Brazil

MRS CARLA HILLS, US Trade Representative, yesterday ended last year's "Super 301" complaint against Brazil, praising it for its "market-opening moves", Nancy Dume reports from Washington.

The decision had grown out of Brazil's May 7 move to scrap quantitative import curbs and import bans, the subject of the inquiry.

Brazil had made "the right decision" to rely on tariffs rather than quotas, and set an important precedent, giving "more certainty" to its import regime. Now accords have been reached with Japan, India is the only nation holding out on bilateral settlement.

W African nations aim to strengthen economic union

SIXTEEN West African countries will try later this month to strengthen a 15-year-old economic union which has made little progress in developing the region, Reuters reports from Lagos.

"West Africa is increasingly becoming a laughing stock," Mr Abasse Bouda, Executive Secretary of the Economic Community of West African States (Ecowas), said.

He told a diplomatic forum the group had to integrate almost 40 inter-governmental bodies if it was to make any progress.

The forum was organised by the Nigerian news agency NAN and the Pan African News Agency (PANA) ahead of a three-day summit of the 18 states planned for May 28 in Banjul, The Gambia.

"As long as we have this situation," dissipating scarce human, material and financial resources (and) competing with one another...I do not frankly believe that West Africa will be able to advance," Mr Bouda was quoted by NAN as saying. The group's Lagos-based secretariat would also ask Ecowas heads of state at the summit to

approve a revision of the founding treaty signed in Lagos in May 1975, he added.

The revision would make community decisions binding on member governments without a need for ratification.

Mr Bouda said all but one member country had failed to ratify the 23 protocols adopted by Ecowas since its inception and this had seriously delayed implementing decisions.

Members would be asked to set up ministerial committees to carry out community decisions at national level and establish ministerial sub-committees to monitor activities community-wide.

Ecowas, made up of former colonies of France, Britain, Portugal and Germany, aims to eliminate trade barriers within the region and promote economic and political co-operation. It includes Ghana, Ivory Coast, Nigeria and Sierra Leone.

Mr Bouda said a timetable for monetary union was being prepared for presentation in Banjul. Ministers of information and foreign affairs would hold preparatory meetings before the summit.



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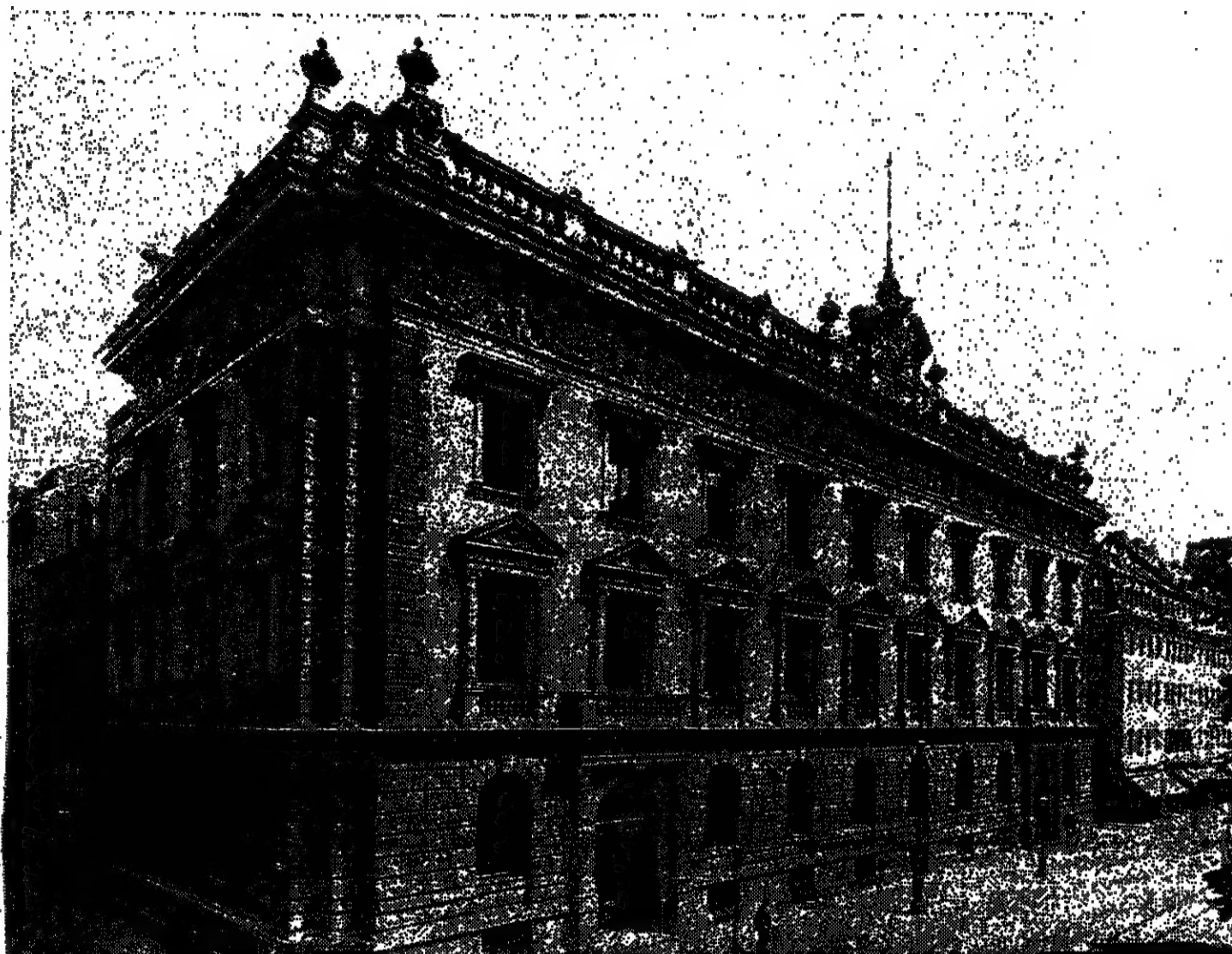
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AMERICAN NEWS

US seeks tighter controls over federal enterprises

By Peter Riddell, US Editor, in Washington

THE US Treasury has proposed extensive improvements in financial controls and disciplines over government-sponsored enterprises with potential liabilities of nearly \$1 trillion (million million). The aim is to avoid a repetition of the massively costly savings and loan rescue.

There is no immediate crisis but the Bush Administration believes it is desirable to take preventive action to avoid problems for privately-owned but government-sponsored and guaranteed enterprises.

These include the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) which buy

homes loans from lenders and package some into securities for sale to investors and hold others. Together they deal with about a quarter of the US's home loans.

Similar enterprises are the Student Loan Marketing Association (Sallie Mae), College Construction Loan Insurance Association (Commie Lee), Federal Agricultural Mortgage Corporation (Farmer Mac) and the Farm Credit Association. They were set up to improve the flow of money to private borrowers for farming, housing and student loans.

Mr Richard Darman, the Budget Director, has warned of the scale of the potential liability from these bod-

ies. If the farm-credit system, all savings and loans, commercial banks and credit unions are also included, these contingent liabilities total almost \$6 trillion (\$3,570bn), which Mr Darman has said is "totally outside of budgetary discipline and needs to be brought under control. There ought to be some cap overall on the Government's loan, loan-guarantee and government-insurance programmes". He has compared these liabilities to video game Hidden Pacmen waiting to absorb resources.

The Treasury has made two proposals. First, regulatory authority for the financial soundness of these bodies should be separated from the agency

seeing whether they have fulfilled their congressional mandate; it should be undertaken by the Federal Reserve, the Federal Deposit Insurance Corporation or the Treasury. Second, these government-sponsored enterprises should secure triple A credit ratings from at least two private credit-rating companies.

Mr Robert Glauber, Treasury Under Secretary for Domestic Finance, has argued that such a rating "represents the most safe and sound level of credit quality and thereby the best protection from potential risk". It would, he said, reduce "the need for another federal rescue". Fannie Mae has improved its finan-

cial position considerably in recent years. There is some concern in the housing finance agencies about whether stricter standards would push up costs for home buyers and restrict involvement with riskier loans for low or moderate income housing.

Mr Glauber argued in congressional testimony last week that some of these bodies are "among the most thinly-capitalised of major US financial entities". Moreover, they "are not subject to the usual market-imposed disciplines of increased cost or reduced access to capital as their balance sheet leverage increases beyond normally prudent levels".

Bush envisages wide range of topics for Soviet summit

By Peter Riddell

DIFFERENCES on "a wide array of subjects" will be on the agenda of next week's US-Soviet summit in Washington, President George Bush said yesterday.

While expressing satisfaction with the results of last week's arms talks in Moscow on chemical and strategic weapons as ensuring that "we'll have a good summit", Mr Bush has been careful not to gloss over continuing difficulties, notably over conventional forces in Europe, German unification and regional problems in Afghanistan and Cuba. A bilateral trade treaty is likely to be put on ice until Moscow eases its squeeze on Lithuania.

A senior US official has suggested that there will not be the celebratory aura that surrounded the last two Reagan-Gorbachev meetings. Instead, the mood will be businesslike, taking the relationship a step forward, but not overselling the achievements.

Despite the absence of prog-

ress on a conventional forces agreement, Mr Bush said he still believed a treaty could be completed by the end of the year. "We've got to get that done. Until it's totally finished we've got to stay in close consultation."

The timing of a treaty could create problems within the western alliance since both US and Britain have insisted that a treaty must be completed before a meeting of the 35-nation Conference on Security and Co-operation in Europe is held to discuss a wider European dialogue and the involvement of eastern Europe countries. However, the Bonn Government is keen on an early meeting, in effect to provide international approval for the unification of Germany.

There are signs that the lack of movement on the Soviet side on conventional forces, especially aircraft numbers, is tied in with Moscow's continued opposition to a unified Germany being a member of Nato.

Presidents Bush and Gorbachev will next week be able to declare that most of the main issues on a strategic arms treaty - cutting stockpiles by around 30 per cent - have been completed, following last week's agreement on cruise missiles. But the remaining issues may take some time to sort out. A Soviet arms control team will be in Washington this week to discuss problems such as how to limit mobile land-based missiles such as the Soviet SS-24 and SS-25 and the US MX and Midgetman, the status of a new version of the SS-18 and controls over the Soviet Backfire bomber agreement.

The main outlines of the agreement have already come under fire from American conservatives. Mr William Safire, the New York Times columnist, yesterday accused Mr James Baker, the US Secretary of State, of having "caved in to basic Gorbachev demands all the way down the line".

US judge to decide on Guerin funds

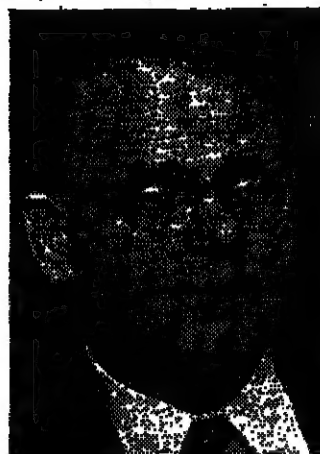
By Tom Flannery in Lancaster, Pennsylvania

A FEDERAL judge in Philadelphia yesterday began his deliberation on the fate of some \$2m seized by federal agents from Mr James Guerin, the former deputy chairman of Ferranti International who is being sued for fraudulently siphoning off \$198.5m from some of Ferranti's subsidiaries.

Judge Thomas O'Neill is to decide shortly on whether the funds will be held by the US Government or released to Mr Guerin's former top attorney at International Signal & Control Corp (ISC), now Ferranti International PLC.

According to Mr Robert Goldman, the Assistant US Attorney on the case and lead prosecutor against Mr Guerin, a decision on the funds is expected by June.

The funds which were seized under the pre-indictment provisions of US anti-racketeering laws - had been destined to be split between Mr Guerin and Mr William Clark,



James Guerin

the former general counsel of ISC who is alleged to have blackmailed Mr Guerin into a \$2.75m severance agreement by threatening to reveal ISC's fraudulent activities.

Last week prosecutors asked Judge O'Neill to extend a temporary freeze on the funds for an additional 90 days. This was in order to allow time for final preparation of charges concerning Mr Guerin's alleged role in the violation of US embargoes against the sale to South Africa of electronic military equipment.

Violent end to campaign in Colombia

A CAR bomb exploded in a Bogotá suburb on Sunday night, injuring seven people, hours after campaigning closed for Colombia's presidential elections on May 27, Reuters reports from Bogotá.

A police spokesman said three people were hurt but a nearby clinic said seven people had been treated there for slight injuries. Nobody claimed responsibility. Police seized drug barons, waging a nine-month-old war on the state, of planting at least seven car bombs which have killed more than 60 people in the last two months.

As the election campaign closed, Mr Cesar Gaviria, the ruling Liberal Party candidate, still appeared the favourite. Security had been tight both at his and the closing rallies of his main rivals, Mr Rodrigo Lloreda, of the Social Conservative Party, and Mr Alvaro Gomez, leading a breakaway Conservative group.

Police blamed the drug barons for the assassination of three presidential candidates in the past nine months. Mr Gaviria, an outspoken opponent of the drug traffickers, has received death threats.

Another candidate at high risk, leftist leader Mr Antonio Navarro, said he had not left his house since the funeral of Mr Carlos Pizarro, his predecessor, who was shot dead aboard an airliner in April.

The elections will decide the future of President Virgilio Barco's crackdown which provoked the drug war.

Japan denies aid claim by Peru candidate

JAPAN denied yesterday it had pledged financial aid to Peru if Mr Alberto Fujimori, the son of Japanese immigrants, became the country's next president, Reuters reports from Tokyo.

"We have no knowledge of any such promise," the Foreign Ministry said.

Mr Fujimori, who made an unexpectedly strong showing in first-round voting last month, predicted on Sunday that he would win the run-off poll on June 10 by a landslide, and that international aid would then pour in.

Mr Fujimori said that Mr Javier Pérez de Cuellar, the UN Secretary General and himself a Peruvian, had promised \$1.2bn (\$250m) from a "pool of donor nations" and the Inter-American Development Bank another \$200m.

"Japan has also promised us a substantial amount and so has the European Community but I don't have the figures," he added.

Aylwin dares to shed light on Chile's dark past

Leslie Crawford on the appointment of a commission into human rights abuses

COLONEL Luis Fontaine was leaving his office on a sunny autumn afternoon recently when two youths dressed in school uniform walked up to him and shot him dead.

Col Fontaine recently retired from Chile's paramilitary police force, where he commanded the notorious and now-extinct intelligence unit Dicomar. Among the unsolved crimes attributed to Dicomar are the abduction and murder of three communist school teachers in 1986.

What appears to be the revenge killing of Col Fontaine only five weeks after former Air Force commander-in-chief Gustavo Leigh narrowly escaped a similar fate, has soured Chile's otherwise exemplary transition to democracy. The murder was claimed by three left-wing guerrilla groups, but the Government has not ruled out the possibility that right-wing extremists may be behind the attack.

Patricio Aylwin has taken the riskiest decision of his political career by setting up a national commission to investigate human rights abuses under the former military regime. The commission is the first real test of President Aylwin's authority over the armed forces and his position is tenuous enough without the destabilising actions of paramilitary groups.

It is an open secret that Gen Augusto Pinochet did everything in his power to prevent the commission from coming into being. The general called President Aylwin five times on the day he was due to announce the formation of the commission, only to be told that the President was too busy to see him.

The inevitable showdown came on May 3. No official account was given of the stormy 40-minute meeting at the presidential palace, but leaks from military as well as government officials indicate that neither man minced his words. The general accused the president of conducting a defamatory campaign against the armed forces and his government. He complained about the scope of future human rights trials. Gen Pinochet will not be touched. If the US could have its Teflon president, Chileans see the political sense of having a Teflon former dictator.

What worries the military is that President Aylwin has unleashed a beast that he will not be able to control. "This commission will have a very different outcome from what the Government intended," says retired Major General Alejandro Medina Luis. "It will be a popular tribunal of the worst Stalinist kind. How will it establish the truth without judging the armed forces?"

Others, such as Mr Adres Dominguez at the Chilean Commission for Human Rights, believe that the president's initiative will provide the military with an honourable exit. "The political objective of the commission is to show the armed forces that the criminals in their midst are a minority. It will allow the military to recover their dignity."

Meanwhile, after hounding about for two months in search of an issue on which to fight the Government, Chile's right-wing parties have pounced on the chance to defend the honour of the armed forces.

slowly isolating the general appears to be working, but the plan is not without its pitfalls. "It requires nerves of steel," says Mr Sergio Bitar, a leading socialist who was deported to an Antarctic island concentration camp after the 1973 coup, "and the Government must avoid transforming Gen Pinochet into a political martyr."

Neither does the Government have any reason to believe that the 57,000-strong army is not fully behind its commander-in-chief. The general's power may be waning, but it remains a force to be reckoned with. So the Government has made concessions.

The President's National Commission for Truth and Reconciliation has been given broad powers to investigate all human rights violations which resulted in death, but the names of those responsible for the repression will be edited out of its final report. The Government also appears to have reached an understanding with the military that only the most blatant crimes, such as the murder of the three school teachers, the assassination in



Aylwin: his riskiest decision

Washington of Mr Orlando Letelier, a former minister of the late president Salvador Allende, and the killing of Mr Tucapel Jiménez, a trade union leader, will be pursued by the courts.

There is also an unspoken assumption that, whatever the scope of future human rights trials, Gen Pinochet will not be touched. If the US could have its Teflon president, Chileans see the political sense of having a Teflon former dictator. What worries the military is that President Aylwin has unleashed a beast that he will not be able to control.

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AMERICAN NEWS

New plan for Latin American debt

Leslie Crawford reports on a UN alternative to the Brady Plan

Latin America's debt problems could be resolved once and for all if industrialised countries pledged \$90bn to finance debt reduction schemes, according to a United Nations report published in Santiago recently.

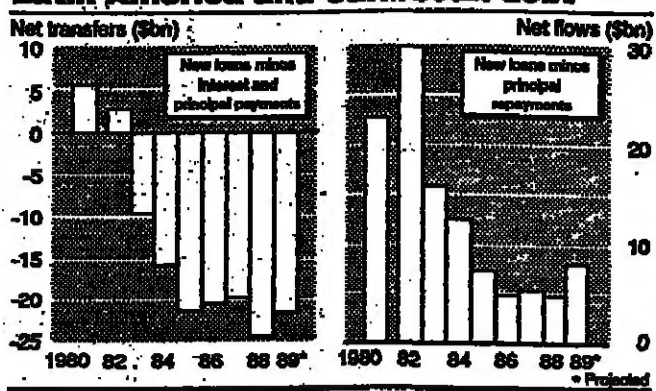
This is three times the amount committed so far under the Brady Plan, the debt reduction initiative launched by Mr Nicholas Brady, the US Treasury Secretary, in March 1989. The Economic Commission for Latin America and the Caribbean (ECLA) believes the Brady Plan will fail, like other schemes before it, unless it can overcome the serious problem of underfunding.

ECLA, a UN body based in Santiago, argues that the Brady Plan's \$90bn will finance only a marginal 19-24 per cent net reduction in debt and debt servicing, at prevailing secondary market prices. It says this is simply not enough to allow Latin America to finance economic reforms and resume growth.

ECLA believes a tripling of resources to \$270bn would reduce the region's debt burden to a level which would eliminate the risk of default and put Latin America on the road to recovery after the "lost decade" of the 1980s.

It arrived at this figure by subtracting the value of Latin American debt on the second-

Latin America and Caribbean debt



ary market from the region's nominal debt burden, which totalled \$422bn in 1989. The calculation assumed that the market was the most accurate assessment of each country's ability to service its debt.

"The global village could easily resolve this problem at a very low cost," said Mr Gert Rosenthal, ECLA's executive secretary and the top UN official in Latin America.

Only 5-10 per cent of the capital would have to be paid up front, said Mr Rosenthal, and the funding would be shared among the top 10 industrialised countries. Mr Rosenthal admitted that ECLA has yet to convince creditor nations that coughing up more taxpayers' money for debt relief is sound

public policy and not just taking over the credit risk from commercial banks.

"At this stage, the proposals are more a wish than a prognosis," he said. The document, "Latin America and the Caribbean: Options to Reduce the Debt Burden" was presented to Latin American planning and finance ministers at a meeting in Caracas earlier this month.

Among other ideas contained in the UN document are: ● The elimination of legal, regulatory, accounting and tax obstacles to debt reduction. Banks, for example, should be allowed to set loan loss provisions at secondary market prices rather than at their book value. They should also be allowed to amortise losses

over a number of years. This would encourage banks to accept deeper discounts in buy-back operations and debt-for-bond exchanges.

● The IMF, World Bank and Inter American Development Bank should extend grace and amortisation periods, given that many countries have fallen behind in their payments.

● The IMF, in drawing up adjustment programmes, should help a debtor country define in advance what levels of debt servicing are consistent with optimum levels of growth. This would determine the appropriate amount of debt reduction for each country.

The document warns that in the absence of these measures, more countries in Latin America will declare partial, or total, moratoria on their debt.

Fifteen countries in Latin America accumulated debt service arrears in 1989, and at least two of them - Bolivia and Costa Rica - restricted payments to win a breathing space in which to carry out fundamental economic reforms.

Mr Rosenthal said that the UN did not espouse this solution, but that it might be the second-best alternative for a region which has transferred a net \$208bn to the industrialised world since the debt crisis exploded in 1982.

US denies super-computers to Israel

Israel has been disheartened by US reluctance to allow the export of supercomputers to Israel, AF reports from Washington.

Israeli scientists have begun research for an innovative system more powerful than anything the United States has now, university officials say.

Three Israeli institutions have applied for licences to buy Cray and IBM supercomputers, but the permits have been held up out of concern that Israel might use the fast-computing systems to develop nuclear weapons and ballistic missiles.

An inter-agency administration team has been considering the applications for almost two years, but so far has refused to yield to pressure from manufacturers and lobbyists.

Israeli officials say that preventing Israel from buying supercomputers will not stop the development of nuclear weapons. Israel is known to have developed such arms on its own without supercomputers.

"The writing's on the wall," said Maia Hauser, the US spokeswoman for Technion, Israel's leading high-tech university. "We'll have to go it on our own."

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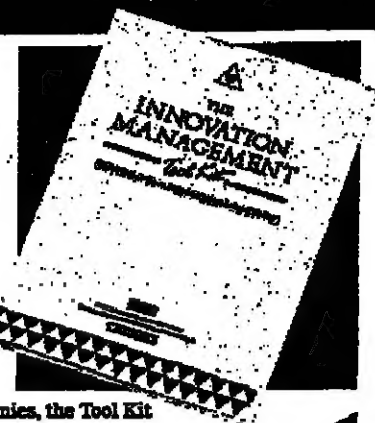
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Scientists ask China to release dissidents

MORE than 200 scientists asked the Chinese Government yesterday to release dissidents Fang Lishi and his wife, Li Shuxian, and threatened to boycott all scientific conferences in China until the human rights activists were freed, AP reports from Washington.

The scientists, led by Soviet physicist Yuri Orlov, also urged the US to put more pressure on China to free the couple.

The Chinese Government accused Fang, an astrophysicist, of inciting the May 1989 pro-democracy demonstrations in Tiananmen Square, Peking. The Government has charged that Fang and Li are counter-revolutionary criminals and has said they must plead guilty.

Fang and Li, a physics teacher, have long spoken out for democracy and human rights in China.

The couple took refuge in the US Embassy in Beijing in June, and the Chinese Govern-

ment has not allowed them to leave the country.

"We should try to push the opportunistic and insensitive US Administration in the right direction," said Professor Orlov.

President George Bush must decide by June 3 whether to extend most-favoured nation trading status to China.

The Administration is under pressure from Democrats in Congress and human rights activists to deny the preferential trading status because of China's crackdown on pro-democracy demonstrations last year.

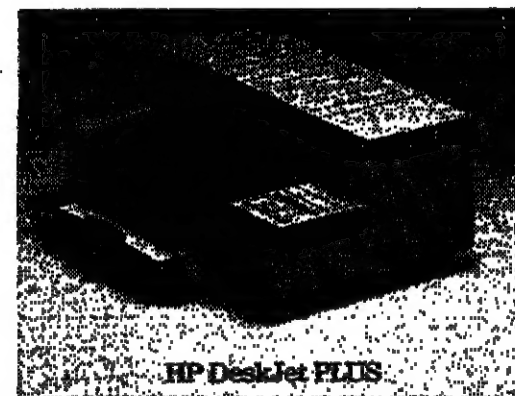
The appeal includes petitions signed by 224 scientists, including several Nobel laureates. They were addressed to the Chinese Government through its Academy of Sciences and to US Secretary of State James A. Baker III.

The scientists also announced they would encourage boycotts of all scientific conferences in China until the Fangs are released.

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According to article 9 of the Conditions of Administration holders of Depositary Receipts who want to attend the meeting have to deposit their certificates at the office of the undersigned, at Herengracht 320, Amsterdam, on June 1st, 1990 at the latest, or have to deposit on June 1st, 1990 at the latest at the mentioned address a statement from a bank that those depositary receipts are in the custody of such bank and that it will keep those depositary receipts in its custody until the end of the meeting.

Notice that the agenda of the meeting and the annual accounts 1989 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of Depositary Receipts.

Amsterdam, May 22, 1990

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OVERSEAS NEWS

Singh under attack over election violence

By David Housego in New Delhi

THE administration of Prime Minister V.P. Singh appeared to be heading for a crisis last night over its failure to condemn electoral violence in the northern state of Haryana.

Both the opposition Congress Party and members of the ruling coalition have called for dismissal of Haryana government following serious allegations against Mr Om Chautala, chief minister of the state. Mr Chautala is the eldest son of Mr Devi Lal, the Deputy Prime Minister who is promoting himself increasingly as a rival to Mr Singh.

The Prime Minister has been strongly criticised for failing to act against the Haryana government. His main concern is that the dismissal of Mr Chautala's government could provoke the resignation of Mr Lal and a major split within his own Janata Dal party.

Both Houses of Parliament were adjourned yesterday afternoon for the rest of the day after scenes of uproar in which the Congress party demanded that Haryana be brought under direct rule from Delhi.

Mr Singh bought temporary respite for himself by declaring that he would announce the cabinet's decision on whether or not to bring Haryana under President's rule before parliament meets today.

But Mr Singh's failure to respond to the Haryana crisis is seen as a reflection of his indecisiveness as Prime Minister and of his shelving of the moral principles on which he fought the general election.

Mr Chautala, who took over from his father as chief minister of Haryana last year in a move that stirred controversy at the time, is currently seeking election to the Haryana Assembly. Unless he wins a seat by June 2, he will lose his chief ministerial position under the rules of the Constitution.

His first attempt last November to get returned from the Mehram constituency ended with the election commissioner annulling the election because of ballot rigging. Mr Chautala's supporters are widely alleged to have had a hand in this, but he was not charged. He thus stood again as a candidate from two constituencies in by-elections that were due to be held on May 26 - Mehram and Darba Kalan alone.

At the end of last week the Mehram by-election was annulled because of the murder of an independent candidate, Mr Amir Singh. Mr Chautala's supporters are widely alleged to have had a hand in this, but he was not charged. He thus stood again as a candidate from two constituencies in by-elections that were due to be held on May 26 - Mehram and Darba Kalan alone.

Mr V.P. Singh's failure to dismiss Mr Chautala has brought him under attack both from coalition partners. Mr Devi Lal, who has already resigned once in defence of his son, has made clear that he will oppose the dissolution of the state assembly or of Haryana being brought under direct rule from Delhi.

Mr Rajiv Gandhi, the Congress leader, successfully exploited Mr Singh's embarrassment on Sunday by drawing massive crowds in Haryana at meetings that expressed disgust with the murder.

Separatists split Sri Lanka for 24 hours

By Mervyn De Silva in Colombo

FOR 24 hours yesterday Sri Lanka became two separate states as life in the predominantly Tamil north and the mixed-race east came to a complete halt.

All public and private road and rail transport stopped at the "border". Shops, schools and government offices were closed. No police or army patrols were to be seen in the two provinces, where the separatist Tamil "Tigers" have taken control.

The Tigers had called for a *hartal* (strike) to demonstrate solidarity with striking Tamil tea plantation workers in the island's central highlands.

Most worrying to the Government, and to the majority Sinhalese, is the reason for this strike rather than its spectacular success.

The tea plantation workers in the island's heartland have little in common with the separatist Tamils. They are Indian Tamil workers, not Sri Lankan citizens.

The Government recently decided to repatriate 100,000 of them under an Indo-Sri Lankan agreement signed 15 years ago. The Up-country Plantation Workers Union launched a protest strike. Its leader was arrested and the Tigers saw the opportunity to try to open a third front in its demand for autonomy in the north and east.

'Back to square one' as Israeli violence flares again

A lone gunman has exposed the drift in policies towards the occupied territories, writes Hugh Carnegie

SOME OF the most prominent leaders of the Palestinian intifada were to be found yesterday sitting beneath the spreading branches of a tall pine tree in the rose-scented east Jerusalem garden of the International Red Cross. The scene was cool and pleasant, far from the violence elsewhere, but the mood was one of deep gloom.

They were headed by Mr Faisal al-Russeini, the most senior public figure of the 28-month-old uprising against Israeli rule in the occupied territories. With a group of supporters, they were 24 hours into a hunger strike prompted by the conviction of violence on Sunday in which seven Palestinians were shot dead by a lone Israeli gunman and a further seven died and 650 were wounded in a wave of protest riots that followed in the West Bank and Gaza Strip.

A few Israeli peace activists came to express their concern, among them Ms Yael Dayan, daughter of the late Moshe Dayan, the famous military commander. She summed up the atmosphere: "I have a dreadful feeling. If we go back to square one, back to the early days of the intifada."

Mr Badwan Abu Ayash, head of the Arab Journalists Association and until a few weeks ago a chirpy optimist, remarked bluntly: "I don't see room for optimism."

Sunday's events could scarcely have come at a worse time. They starkly exposed the drift in Israeli policies - especially towards the occupied territories - that has persisted since a coalition between the Likud and Labour parties collapsed in March over Likud's refusal to accept US terms for Israeli-Palestinian peace talks.

Mr Yitzhak Shamir, the Likud leader, remains caretaker Prime Minister. But he has yet to form a new government and is negotiating with extreme right-wing parties in order to do so. Meanwhile, he has continued to reject the US proposals - based on his own



Protesters wave the Palestinian flag during a demonstration in an Arab suburb of Jerusalem

peace plan of a year ago - and has gone ahead with new Jewish settlements in the occupied territories which madden both the Palestinians and the US Government, which labels them an obstacle to peace. In this climate, Israeli insistence that the man who gunned down the Palestinian workers on Sunday was an isolated case, no different from cases of deranged mass killers in the US or Britain, simply does not impress Palestinians.

"No one believes that in Gaza," said a Palestinian journalist in the strip, where the dead labourers lived. "What happened didn't come from nothing. It came from Israeli politicians making statements about Palestinians, denying our rights and treating us as less than human beings. All this increased hatred for us among Israelis."

Significantly, much the same line was evident in reaction elsewhere in the Arab world,

underlining the extent to which frustration and anger with Israel has waxed in the Middle East in recent months. This will certainly be expressed forcefully at the Arab summit in Baghdad on May 22, reinforced by Sunday's killings.

A central part of the Arab concern, which the summit will discuss, is the effect of the large flow of immigration to Israel of Soviet Jews, particularly the fear that many of them will end up being settled in the occupied territories.

Jordan - and the Palestinians - fear that one effect will be to push Palestinians out of the West Bank eastward into Jordan. The fact that far-right Israeli parties such as Moledet, which advocates exactly such a policy, have been in negotiation with Mr Shamir about joining a Likud government, does not surprisingly fuel these worries.

Arab countries have therefore recently been closing ranks against Israel and - with the exception of Syria - modifying their approval for the aggressive stance of Iraq's President Saddam Hussein, the summit host, who has recently loudly threatened Israel with retaliation for any attacks on Arab countries.

The present lack of at least some prospect of negotiations has also left those intifada leaders like Mr Hussein and Mr Abu Ayash, who advocate peace talks with Israel, at something of a loss. They fear a swing of Palestinian opinion towards groups like Hamas,

the Islamic fundamentalist organisation, and factions of the Palestine Liberation Organisation which advocate the use of firearms in the uprising.

What all Palestinians in the occupied territories agree on, however, is that the intifada remains as entrenched as ever. Although deaths before the latest upsurge had fallen, this may have had as much to do with changes in army use of live ammunition as with a reduction in provocations.

Much has been said since Sunday about the uprising being rekindled. But whether a sustained period of increased violence ensues, there is little doubt that the underlying rejection of Israeli occupation is unshaken. What happened on Sunday, wrote Israeli columnist Zeev Schiff, showed that "the basic conditions which led to the intifada not only have not disappeared but rather have deepened."

With the outlook in the region as a whole, as well as the immediate area, thus apparently deteriorating quite sharply, the Palestinian leaders on hunger strike yesterday called implicitly on the international community - and especially the US - to pressure Israel to engage in peace talks.

"I think we have reached the point where lights are flickering red all over the Middle East," said Dr Saeb Erekat, a prominent Palestinian academic, as he sat under the Red Cross pine tree.

Ivory Coast considers police strike demands

By Mark Hubbard in Abidjan

THE Ivory Coast Government was considering the demands of striking policemen yesterday in an attempt to end the latest in a series of protests which have disrupted Abidjan, the West African state's main city, police said.

They said a delegation of 20 striking policemen met President Felix Houphouët-Boigny, 64, and security ministers, who agreed to study demands. The president said he would formally respond on Wednesday.

Hundreds of police officers blocked roads throughout the city at 9 am, cutting the centre of the city off from the surrounding residential areas. There have been no reports of casualties.

The police were demanding increased pay, improved working conditions and an end to the system of automatic payments to the ruling Democratic Party which are docked from salaries each month.

The strike comes one week

after soldiers mutinied in the city and closed the international airport at Port Bouet, five miles from Abidjan.

Gendarmes were used to negotiate an end to the army mutiny last Wednesday. The Government gave in to the soldiers' demands that they be allowed to stay on in the army at the end of their two-year national service.

Many soldiers have difficulties finding work after leaving the army, because of rising unemployment.

Strikes by civil servants protesting about salary cuts during February led to the first signs of the Government weakening in its resolve to force through cuts in state spending.

The salary cuts, which were intended to contribute to a \$300m financing gap in the 1990 budget, were scrapped.

A World Bank economic recovery programme, which was suspended last month, is now under review.

Three more die in South African township clashes

HEAVILY-ARMED police officers yesterday patrolled the township of Thabong outside Welkom after three more blacks were reported killed during further clashes with police, agencies report from Johannesburg.

Thabong is being declared out of bounds to the media because it is too dangerous, a police spokesman said.

At least one police vehicle was set on fire as groups of angry youngsters rounded the township outside Welkom in Orange Free State, witnesses said.

Protesters armed with knives, axes and rocks used to burn down vehicles, trees and burning tyres to set up barricades across some streets, they said.

Police said four people had been killed and about 40 injured on Sunday when officers opened fire on a protest by black residents returning from a rally.

However, Dr Fih Nel, superintendent of the Welkom Hos-

pital, said three more people had died yesterday, bringing the death toll to seven. "It's very tense. Buildings have been burned out and it's not safe to move," said a journalist.

Police with semi-automatic weapons and shotguns patrolled the township in armoured personnel vehicles or set up roadblocks. Soldiers called in to help police on Sunday night were not in sight yesterday, witnesses said.

Racial tensions have threatened to boil over in Welkom, 200 miles south of Johannesburg, since armed white extremists began vigilante patrols in March. The residents of Thabong responded by boycotting white businesses. Further trouble erupted last Wednesday when two white mine workers were killed during a clash at a gold mine.

At Sunday's mass meeting, black leaders agreed to try to calm the situation by suspending the 12-day boycott.

The ANC, the white government's main black opponents, see the issue as one of several barriers to serious negotiations on ending apartheid and creating a new non-racial constitution. Mr Jacob Zuma, the ANC intelligence chief, indicated a new conference in Johannesburg that the document included a plan to grant amnesty for all political prisoners and political exiles, the South African Press Association reported.

The Government announced on Saturday that 35 leading ANC officials in exile, including Mr Oliver Tambo, president, who has been unwilling to have a three-month immunity from prosecution if they returned home.

No date has been set for resuming the talks, the first between the two sides. The working group is now to turn to other issues, including the repatriation of 23,000 exiled ANC members, a review of security laws and aid to the four-year state of emergency.

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Joint group studies report on political prisoners

THE South African Government and the recently unbanned African National Congress began yesterday to study a report on procedures for releasing political prisoners, agencies report from Cape Town.

The report, compiled by a joint working group set up by President F.W. de Klerk and Mr Nelson Mandela, the ANC deputy president.

A joint statement said the working group had to recommend, by yesterday, ways to define political prisoners, mechanisms to set them free and how to grant humanity from prosecution for political offences to prisoners inside and outside South Africa.

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Affluent Japan becomes target of Colombia's drug barons

THE recent discovery in Japanese ports of huge amounts of cocaine has confirmed authorities' fears that the country's wealth and the opening up of its markets are attracting more than just foreign businessmen and bankers.

Japanese police are concerned that South American drug cartels, facing a prolonged crackdown in their biggest market in the US, are increasingly turning their attention to Japan, where the potential market for cocaine could be enormous.

Last week, Japanese police found 45kg of cocaine, worth an estimated \$130m (\$11.7m) at the retail level, hidden in a Colombian vessel anchored in the port of Yokohama.

The incident brought the amount of coke found in Japan so far this year to a record 69kg, more than 70 times

the amount confiscated only two years ago, and has alerted the authorities to the possibility that drug dealers are stepping up their efforts to build a cocaine market in Japan.

The potential is greater than ever before as affluence becomes more widespread. More young people are open to the idea of using drugs, and cocaine, which has similar effects to methamphetamine - the most widely abused drugs in Japan - is also much easier to use.

Until now cocaine has hardly been a problem in Japan. The amount the police have confiscated through the years has been minimal, ranging

from a total of 1 gram in 1978 to 1.6kg in 1987. The situation changed dramatically last year when 12.7kg were confiscated, a record at the time. This year the amount confiscated in just the first five months, has been five times that record.

In most cases, the source of the cocaine was Colombia. While western countries are increasing their efforts to clamp down on narcotics abuse, the supply of cocaine itself is beginning to outweigh demand. Police believe the changing situation in the west is turning the drug cartels' attention increasingly to Japan.

Changes in Japanese society are making it much easier than even just a few years ago for drug dealers to build a market there. As a greater number of Japanese either travel or live abroad, more people are open to

the idea of using drugs. The arrest in Hawaii last year of a famous Japanese actor, Shintaro Katsu, for possession of cocaine, created a stir in the Japanese media but there was little of the sense of shock that might have greeted such news 10 years ago.

At the same time, the large number of alien workers who have been flooding into Japan recently has also made it easier for the drug cartels to set up a network in the country. Police say Colombian women working in Tokyo are often used to pick up cocaine that has been shipped in.

The authorities' biggest fear is that the yakuza, Japan's organised criminal mob, might become involved in the cocaine trade. The yakuza are involved in everything from gambling to prostitution, but their biggest money-maker today is methamphet-

amines from Korea and Taiwan. What is keeping the market from taking off so far, the police believe, is that the yakuza and foreign drug dealers have not reached an agreement on price. "The dealers presumably think that since everything in Japan is so expensive they can charge an outrageous price for their cocaine," said one police officer. But for the yakuza, the high risks involved mean that without a high profit margin, cocaine is not worth it.

As long as the yakuza stay away from the cocaine trade, the prospects for the drug barons may not be as good as they hope. In Japan, they are likely to face the same sort of problems that foreign businessmen trying to sell conventional products face - the barriers posed by a difficult language and an insular society.

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China ends policy of economic austerity

By Our Foreign Staff

CHINA has ended a 20-month austerity programme and is willing to risk inflation as it rebuilds its battered industries, a senior Chinese economist told Reuters yesterday.

Lu Tongshu, a division chief at the State Commission for Restructuring the Economy, said some key market-oriented reforms, neglected after last year's military crackdown, would be resumed.

Consumer demand would be stimulated by low interest rates and extra loans would be granted to leading companies currently hobbled by debt, he said. Private rural enterprises would be encouraged again.

Price reform would also be attempted, he added, though more slowly than in the past. Lu expected it would take five to 10 years, eliminating China's present "two-tier" system.

Since China launched its austerity drive in the autumn of 1988 it has brought inflation down from 18 per cent in 1989 to 4.6 per cent in April this year. But it has wrought havoc in the economy, slowing down investment, causing unemployment and making huge subsidies necessary for some industries.

Lu said inflation had already begun, with bank loans of 250n yuan (\$2.15bn) in the first quarter of the year. He said the government would have to deal with the inflation with the measures he outlined. China would be able to attain a 5 per cent increase in industrial output value this year over 1989. The official target is around 6 per cent.

While China needs to stimulate its stagnant economy with the kind of measures Lu outlined, the current US threat to withdraw Most Favoured Nation treatment of China's exports because of Feking's present clampdown on dissent is probably a factor since China wishes to appear more liberal and reform-minded in American eyes.

Iran-Saudi hajj talks collapse

By Victor Malik in Dubai

SAUDI ARABIA and Iran were again at loggerheads yesterday over failure of negotiations for next month's hajj - the annual Moslem pilgrimage to Mecca - which Iranians will now miss for the third year running.

Saudi officials denied banning Iranian pilgrims and said the two sides had almost reached agreement when Tehran declared a boycott.

Statements from both countries suggested that the Saudis had refused Iranian demands for the right to stage anti-western demonstrations, although there are also differences over the Saudi quota system for pilgrims of various nationalities.

"The Saudi regime must answer Moslems as to why they would not be allowed to voice their anger at America, Israel and other Satanic powers during the biggest gathering of the world's Moslems," the Iranian Foreign Ministry said.

UK NEWS

GMB agreement with Keiper Recaro seen as setting pace for 1990s Union signs agreement under EC Charter

By Lisa Wood, Labour Staff

A SINGLE union agreement which incorporates the European Social Charter has been negotiated by GMB, the general union and Keiper Recaro, the West German seat manufacturer, which is relocating to Birmingham.

The agreement, which the GMB claims is the first of its kind in the UK, brings a number of benefits including worker representation on the

board of the company, workers' councils which will discuss terms and conditions and grievances and set one rate for the job throughout the plant irrespective of age and sex.

Mr Geoff Wheatley, GMB Birmingham and West Midlands regional secretary, said: "This agreement will set the pace for industrial relations in the 1990s. It provides the employment rights and condi-

tions set down in the Social Charter which the GMB believes should apply to everyone at work.

"The union will be looking for agreements of this standard with British employers."

Keiper Recaro plans to employ 300 staff at the plant on Woodgate Business Park, Birmingham.

It is currently working with Birmingham Council to

develop a compact training arrangement whereby the Council develops tailor-made training schemes for companies.

Birmingham, England's second largest city in central England, hopes to attract other overseas investors to the Business Park and is in advanced negotiations with three other foreign firms from France, West Germany and Japan.

Generating companies win greater access to main business markets

Power competition limits reduced

By David Thomas and Maurice Samuelson

ONE of the main limits to competition in the two-month old electricity market in Britain was raised yesterday by Professor Stephen Littlechild, the industry's regulator.

In a carefully balanced ruling, however, Prof Littlechild rejected plans for a sweeping revision of the new privatised regime by National Power, the largest of the two new generators in England and Wales.

Under the existing regime, National Power and PowerGen, the other new generator, have been prohibited from jointly capturing more than 15 per cent of demand in any of the 12 area supply companies in England and Wales - a rule which was intended to last for four years.

National Power has launched an aggressive cam-

paign to win the supply business of large electricity users, the only customers who at present are allowed to shop around for competitive supplies.

National Power asked the regulator to raise the limit in all 12 areas, while PowerGen asked for the limit to be raised in the four areas with the greatest proportion of industrial demand.

Prof Littlechild announced yesterday that he was raising the limits in the four "industrial" areas: the limit will be 25 per cent in South Wales and Merseyside, covering Merseyside and North Wales; and 20 per cent in Northern and Yorkshire.

National Power and PowerGen will each be allowed to supply up to half of these new

limits.

The decision is likely to be greeted with relief by most of the area companies.

They had feared a much more thoroughgoing revision of the rules and had warned the Government privately that this could endanger their flotation in the autumn.

Mr Charles Ryder, chairman of the Major Energy Users' Council, representing 125 large users, welcomed the decision as a step in the right direction, but warned that some large users would still be caught by the new limit.

It is understood, for example, that British Steel in South Wales and United Engineering Steels in Yorkshire, northern England, could still not allocate all their business to National Power without

breaching the new limits.

Prof Littlechild also ruled that any supply contracts which would take either of the two generators' share of demand in the four industrial areas above 7 per cent must run for no more than a year.

This ruling is intended to prevent National Power or PowerGen signing long-term contracts before potential new entrants to the electricity market have had a chance to become established.

Prof Littlechild is understood to view his decision as a cautious one which will not disrupt the progress of the industry towards privatisation.

He said it would not have adverse consequences for the area companies or for the development of competition.

Nuclear industry warned of 2,500 jobs cut

By John Gapper, Labour Editor

ABOUT 2,500 jobs will be lost within the nuclear power industry by 1994 as part of a drive to reduce the cost of nuclear power, Mr John Collier, chairman of the United Kingdom Atomic Energy Authority predicted yesterday.

Mr Collier said talks with unions on a sustained reduction in the number of staff employed by the newly-formed Nuclear Electric authority were likely to start when detailed plans for job cuts had been drawn up.

He said he expected Nuclear

Electric, which will take over responsibility for nuclear generation when the industry is floated, to reduce its staff of 14,000 by about 600 a year with the aim of reaching 11,500 by 1994.

Mr Collier, chairman of Nuclear Electric, said he expected the reduction in staff to cut the unit price of nuclear electricity only by "fractions of a penny," but it was needed as part of the effort to reduce nuclear costs.

Mr Eric Hammond, general secretary of the EEFPU electri-

cians' union, said that the union would "do everything in its power" to stop the electricity generators increasing their reliance on imported coal. Speaking at the annual conference of his union's shop stewards in the industry he said the use of more imported coal would undermine the security of power supplies to the industry's customers.

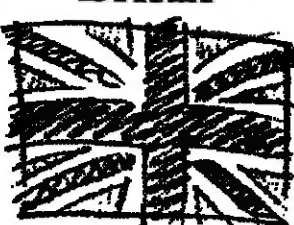
Today British Coal and unions in the coal industry meet and union leaders are expected to be told of the likely job losses if electricity genera-

tors import more coal.

Mr Hammond said he had written to the chairman of all the newly-privatised electricity companies to say that an increase in the imports of foreign coal would damage the coal and steel industries and the whole economy.

He said an increase in coal imports would expose Britain to fluctuations in the world energy markets at a time when demand will be rising "as the Third World and Eastern bloc countries begin to expand their moribund economies."

BRITAIN IN BRIEF



Gun driver may not face court

An appeals court prosecutor in Athens has proposed the dismissal of criminal charges against a British driver accused of hauling part of Iraq's alleged super gun into Greece.

Mr Peter Ashwell, 26, was detained on April 21 on charges of smuggling a weapon into Greece.

British officials had told Greek customs officials in the western port of Patras that the 30-ton steel tube on Ashwell's truck could be part of a giant artillery gun ordered by Iraq.

On May 11 the driver was freed on bail after a London newspaper, the Daily Mirror, paid £50,000 to get the proposal of Mr Nikos Tourioulis, the appeals court prosecutor, is binding in that Mr Ashwell will not face criminal charges, but he may be tried either for a misdemeanor or the case could be dismissed.

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Customers get satisfaction

Customers who get a satisfactory answer to a complaint about faulty goods are more likely to buy the same product again than those who say nothing, according to a report by the Office of Fair Trading.

The OFT has sent the report on consumer loyalty to chief executives of leading manufacturing and service companies.

New evidence in bomb case

New forensic evidence means that the conviction of a family in 1976 for allegedly running an IRA bomb factory can no longer be considered safe and satisfactory, an inquiry was told yesterday.

The inquiry is the first stage of an investigation ordered by the Government into matters arising from the release last year of the Guildford Four, after their convictions on pub bombing charges were quashed.

Sir John May, a former Court of Appeal judge, is beginning his inquiry by looking into the cases of the McGuire family.

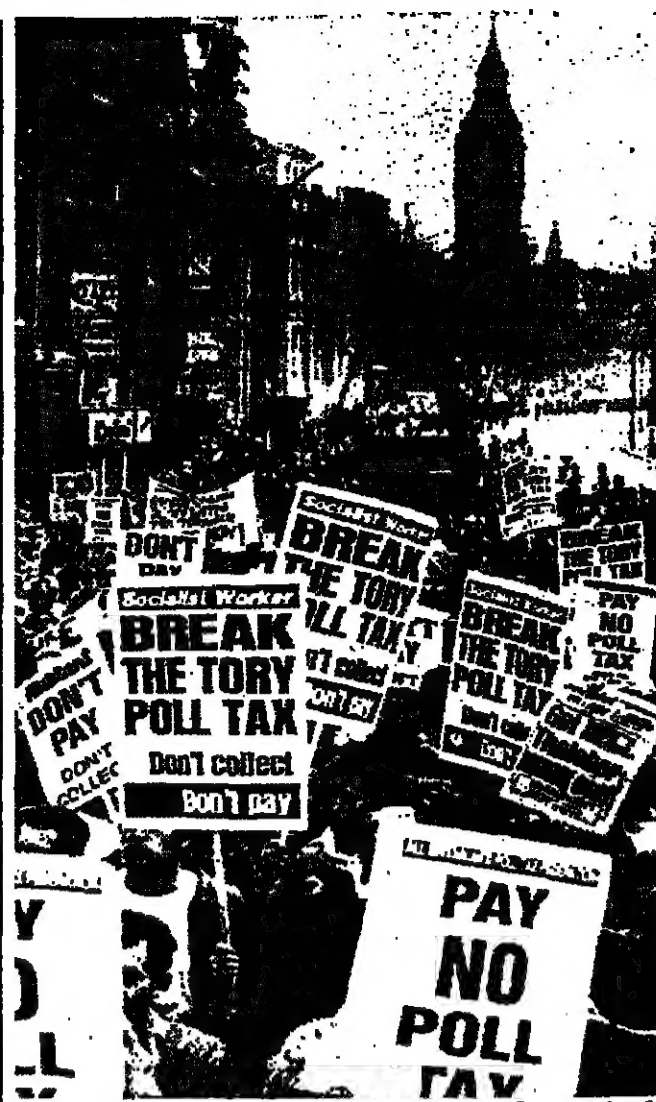
New study on ozone layer

A new £4.4m programme to study the destruction of the Earth's ozone shield, the greenhouse effect and acid rain was launched yesterday.

The Science and Engineering Research Council said the seven-year research programme was designed to stimulate laboratory-based studies of the detailed chemical processes that take place when pollutants are released into the atmosphere.

Pilkington deal with Toshiba

Pilkington, the glass manufacturer, said yesterday that its micro-electronics unit had secured a technical collaboration agreement with Toshiba of Japan. The agreement, with Pilkington Micro-Electronics, calls for the development of logic chips, which perform the thinking functions of a computer.



Anti-poll tax protesters on the streets of London in March

Anti-poll tax march planned

The all Britain anti-Poll Tax Federation has announced plans to develop its campaign for non-payment of the new local tax to include a march from Glasgow, Scotland, to London in October.

The march will start in September and organisers intend that it should end with a mass rally in London "to celebrate mass defiance against the poll tax" on October 13, coinciding with the political party conference season. The core body of marchers will be joined by secondary marches from South Wales and Merseyside.

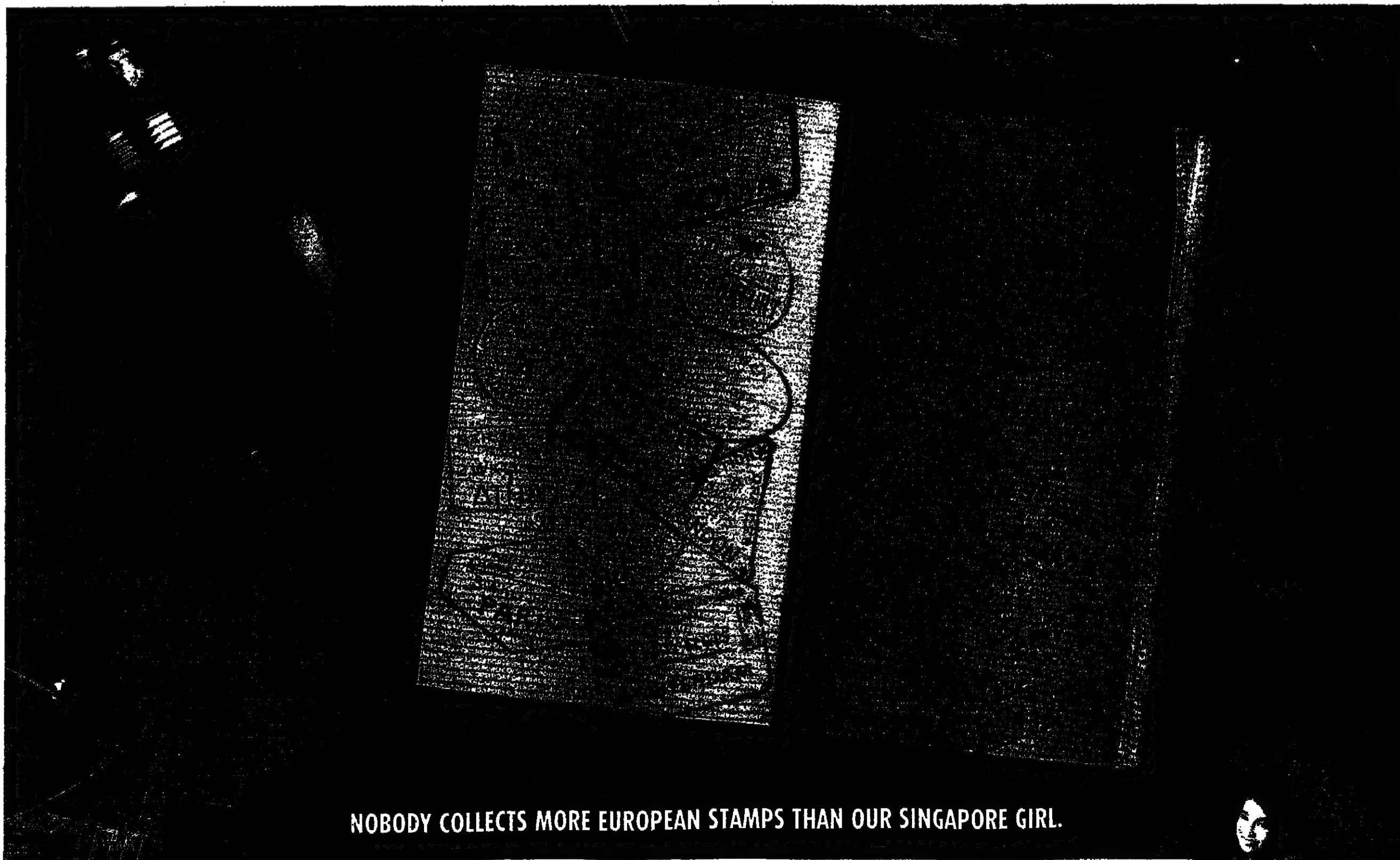
The Anti-Poll Tax Federation, which is campaigning for non-payment of the community charge or

poll tax, organised a rally in London in March which led to the worst riots on the British mainland for many years.

At a press conference Mr Tommy Sheridan, chairman of the federation, said that to prevent a repeat of the violence in October, the federation would employ more stewards.

"But we are confident that if we do not have the same level of police presence and intimidation we will have a peaceful demonstration and festival to meet the marchers," he added.

The federation said yesterday that it did not condone violence. Mr Sheridan said he estimated that more than 10m people in England and Wales were not paying the poll tax, which is levied by local councils to pay for services and amenities.



NOBODY COLLECTS MORE EUROPEAN STAMPS THAN OUR SINGAPORE GIRL.

We have 29 Europe - Singapore services a week flying out of 12 cities, more than any other airline. This, plus the best service and most modern fleet in the air, makes us your passport to Singapore.

SINGAPORE AIRLINES



NOTICE OF REDEMPTION To the Holders of the 11 1/4% Debentures Due May 8, 1992 of Pacific Bell

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 4 of the Trust Agreement dated as of May 8, 1988, between Pacific Bell (the "Company") and The Chase Manhattan Trust (the "Trust"), the 11 1/4% Debentures will be redeemed on May 8, 1992 (the "Redemption Date"). The redemption price for the Debentures will be 100% of the principal amount of the Debentures, plus interest accrued to the Redemption Date. The redemption price will be payable in cash, or in the form of a check, or in the form of a bank draft, or in the form of a letter of credit, or in the form of a promissory note, or in the form of a combination of the foregoing.

The following banks are authorized to receive payments on behalf of the Trust:

The Chase Manhattan Bank, N.A. 1 New York Plaza - 100th Floor New York, New York 10020 United States	Chase Bank Limited, London 15 Abchurch Lane London EC4N 3DF United Kingdom
The Chase Manhattan Bank, N.A. London Branch 25 Abchurch Lane London EC4N 3DF United Kingdom	Chase Bank Limited, London 15 Abchurch Lane London EC4N 3DF United Kingdom
Chase Bank Limited, London 15 Abchurch Lane London EC4N 3DF United Kingdom	Chase Bank Limited, London 15 Abchurch Lane London EC4N 3DF United Kingdom

Coupons which matured prior to the Redemption Date should be detached, presented and surrendered for payment in the usual manner.

Payment on any Debenture made within the United States, including by transfer to a United States dollar account maintained by the payee with a bank in the City of New York, may be subject to reporting to the United States Internal Revenue Service (IRS) and to the deduction withholding of 30% of the gross proceeds (including premium and accrued interest) if the payee fails to provide a properly completed IRS Form W-9 (the "Certificate of a non-U.S. person") or an IRS Form W-9 (the "Certificate of a U.S. person").

By: THE CHASE MANHATTAN BANK
(Incorporated in the United States of America)
As Trustee

IPNA 2 N.V.

Notice is hereby given that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of Depositary Receipts of IPNA 2 N.V. will be held on June 6th, 1990, at the office of the Stichting in Amsterdam, Herengracht 320 at 11:00 a.m. in order to review the annual accounts of IPNA 2 N.V. 1989.

According to article 9 of the Conditions of Administration holders of Depositary Receipts who want to attend the meeting have to deposit their certificates at the office of the undersigned, at Herengracht 320, Amsterdam, on June 1st, 1990 at the latest or have to deposit on June 1st, 1990 at the latest at the mentioned address a statement from a bank that those depositary receipts are in the custody of such bank and that it will keep those depositary receipts in its custody until the end of the meeting.

Notice that the agenda of the meeting and the annual accounts 1989 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of Depositary Receipts.

Amsterdam, May 22, 1990

STICHTING IPNA 2 INDOSUEZ TRUST SERVICES
Herengracht 320
1016 CE Amsterdam



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Call for our current views

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GEC set to forge links to compete against US

By David White,
Defence Correspondent

GENERAL Electric Company of the UK is trying to forge a broad Anglo-French front to compete with US contractors in the next generation of radar for fighter aircraft.

The British company, which earlier this year took over Ferranti Defence Systems, the lead company developing the radar for the European Fighter Aircraft, expects to reach agreement in the next few weeks with Thomson-CSF of France.

This would be based on a collaboration pact which Ferranti made with the French state-controlled company last summer.

However, GEC also wants to involve the other French airborne radar company, the newly renamed Dassault Electronique, in the studies.

GEC's defence arm, GEC-Marconi, was in talks with Dassault, formerly known as Electronique Serge Dassault, before the takeover of Ferranti Defence Systems was announced in February.

Thomson-CSF is working together with Dassault Electronique on the radar for France's new fighter project, the Rafale.

The scope of last year's Ferranti-Thomson link-up is thus being widened on both the French and the British fronts.

GEC has merged its own airborne radar business with Ferranti's, under the name of GEC Ferranti Defence Systems.

The planned collaboration with Thomson-CSF also brings in part of the Plessey operations which GEC took over last year.

It will use the former Plessey facilities at Caswell, Northamptonshire, in the east Midlands, for work on gallium arsenide technology for electronic processing.

The future generation of "active array" radar is aimed at obtaining higher definition for discriminating between air targets.

GEC and Thomson-CSF envisage developing a "family" of radars using this technology, which would include ground radar systems.

A Tornado which failed to cause a storm

Malaysia's cancelled order is the latest in a series for the aircraft, writes Paul Betts

MALAYSIA'S decision to cancel a \$400m order for up to 12 Tornado aircraft is a psychological blow for the Anglo-German-Italian combat aircraft programme.

It leaves Saudi Arabia, which has ordered 120 Tornados, as the only export customer for the combat jet. The three Tornado partners grouped in the Panavia consortium - comprising British Aerospace of the UK and MBB of West Germany with 42 per cent each, and Aeritalia with 16 per cent - had once held high hopes for Tornado's export prospects.

But with Malaysia's cancellation, three of the aircraft's four export customers have now pulled out of a Tornado deal. Last year, Jordan shelved a proposed plan to buy eight ground attack Tornado aircraft after failing to secure the necessary export credits from the three European nations.

Prior to this, Oman had abandoned a plan to buy eight Tornado air defence aircraft, opting instead for the smaller BAe Hawk jets. The 25 year-old Tornado programme has so far cost the UK alone \$11.7bn, (\$18.48bn) according to UK government figures. But it is also regarded as a great success in that it has already sold 929 aircraft, largely to cover the three countries' defence requirements.



(RAF) Tornado: popular with consortium member forces, but overseas sales are poor

and NATO defence commitments. The aircraft has also been a significant technical success with the original ground attack or bomber version regarded as one of the best aircraft of its kind.

With the big Saudi contract and anticipated aircraft replacement needs in the UK, Germany and Italy, Tornado sales are expected to approach the 1,000 mark over the next 12-15 months.

However, its export performance has not come up to the original expectations of the three partners. Britain in particular had high export hopes for the aircraft. From the beginning, the UK has headed the Tornado export drive and has looked upon the aircraft as a spearhead of the UK arms export effort in general.

Italy of West Germany and Britain's Rolle-Bayern are also heavily involved in the Tornado programme as two of the principal partners in the Turbo-Union group which provides the engine for the aircraft.

Both companies hold a 40 per cent stake in the engine programme with Fiat of Italy the remaining 20 per cent.

The loss of the Malaysian

contract, disclosed in the latest issue of Flight International to appear tomorrow and confirmed by defence industry sources yesterday, could be offset for the British interests by the eventual sale of Hawk aircraft to Malaysia.

Negotiations are understood to be taking place between the UK and Malaysia to replace the original Tornado order, the backbone of a \$15m UK arms package to Malaysia signed in 1986, with the sale of more than 20 Hawks.

Ironically, such a deal would probably be more profitable for BAe because the UK group is responsible for the entire Hawk programme. However, at \$25m each, the Hawk is a less expensive aircraft than the Tornado.

But coming on the heels of the lost Oman and Jordan contracts as well as the failure to sell Tornado aircraft to Spain, Greece, Kuwait and Indonesia, the Malaysian decision is undoubtedly a blow for the prestige of the three-nation aircraft. The European consortium has also failed for the time being to sell Tornado jets to South Korea, which recently opted for the McDonnell Douglas F-16. Negotiations are still dragging with Turkey over possible Tornado sales.

In the longer term, the principal problem for BAe and its other European partners is to ensure a smooth transition from the Tornado programme to the new European Fighter Aircraft (EFA), which will eventually replace Tornado as the new generation European combat aircraft in competition with the French Rafale.

BAe is anxious that the Tornado programme does not start slowing down before EFA production begins in the second half of this decade. Export sales are seen as helping to extend the life of Tornado at a time when the new EFA programme itself is under a cloud of uncertainty as a result of defence cuts.

Sterling lending falls to its lowest level for three years as industry tightens budgets

Companies reduce debt burden as interest rates bite

By Rachel Johnson

COMPANIES have started to reduce their heavy debt burdens in response to the Chancellor's policy of high interest rates, official figures indicated yesterday.

The Bank of England said that sterling lending had fallen to \$3.9bn - its lowest level for three years - as companies, especially in the construction and leasing sectors, took tighter control of their budgets.

Lower lending was greeted by the authorities and the City as evidence that the rate of corporate sector borrowing - running at historically high levels - is beginning to slow. The Treasury welcomed the

news that companies were beginning to repay borrowing after accounting for the bulk of lending. City analysts suggested that the corporate sector's profit squeeze must be easing if companies could afford to do this in a weakening economy.

Mr Peter Spencer, economist at Shearson Lehman, said that it was "obvious that the squeeze was not as tight as previously imagined."

The Treasury, however, received less positive news about the economy from other money supply data yesterday which revealed a worrying degree of consumer confidence in spite of a protracted period

of high interest rates.

While bank and building society lending fell sharply, there was escalating growth in M0, which mainly represents notes and coins in circulation.

The Treasury welcomed the slowdown in broad money growth, and cautioned against reading too much into the leap of its chosen monetary target, M0, which it described as "incredibly volatile."

M0 evaded the Treasury's target range to climb at an annual, seasonally-adjusted rate of 7.3 per cent. The indicator's monthly rise of 1.7 per cent - the highest since 1981 - also outstripped City forecasts to provide evidence of an

unexpected buoyancy in consumer activity last month.

Economists scribbled some of the jump in M0 to the so-called "ice-cream factor" brought on by the Easter break and sunny weather.

"This is a huge number," said Mr Simon Briscoe, UK economist at Greenwell Montagu. "Pay increases in cash coming through in April could also have contributed."

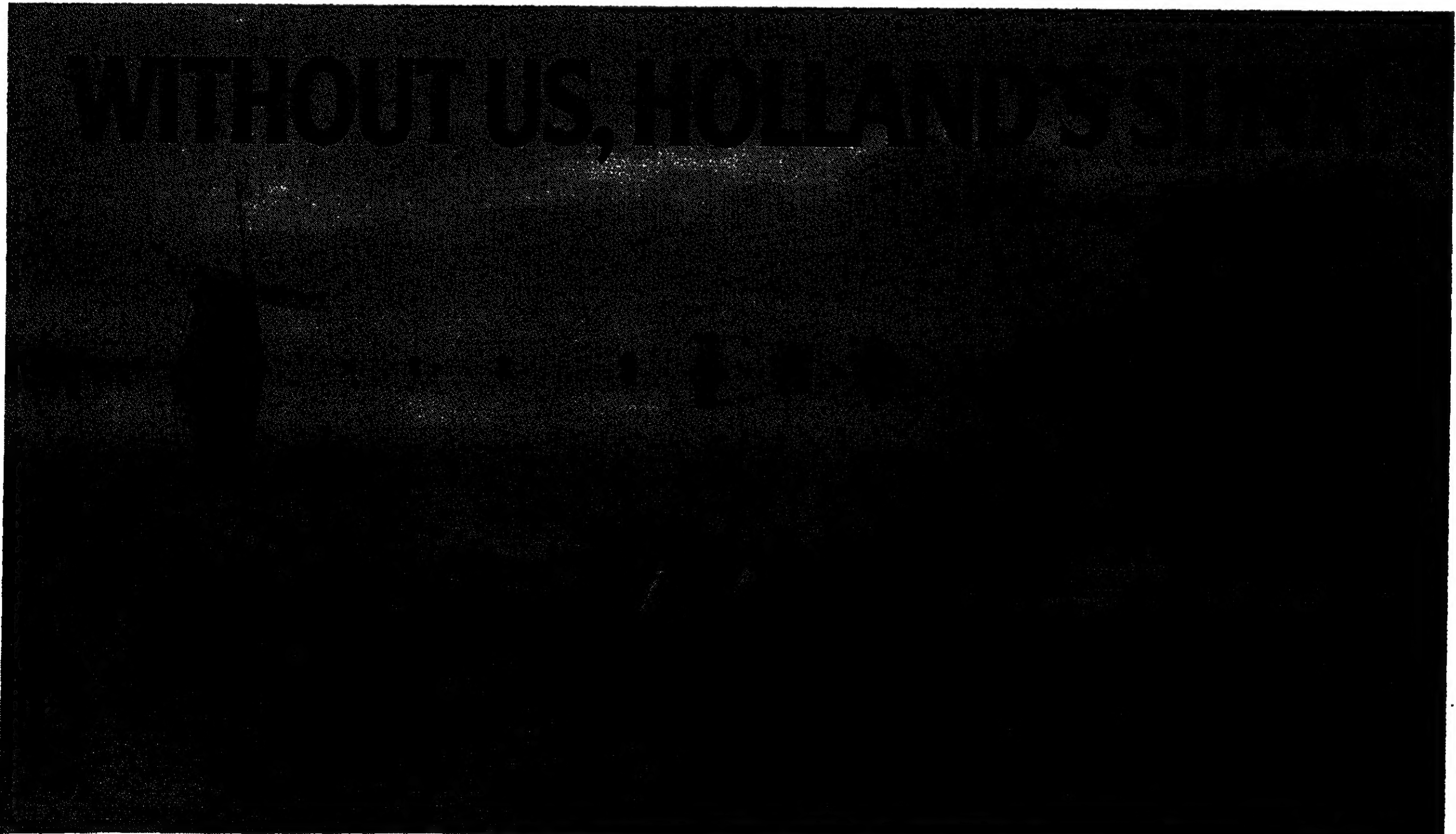
Analysts said the fact that companies could afford to do this gave clues that the corporate sector was proving impervious to the effects of high interest rates.

The pick-up in M0's three and six-monthly rates were

said to complete the picture of consumer confidence so far painted this month by the retail sales figures and CBI/FT survey of the distributive trades.

In the markets - hiding their time ahead of Wednesday's trade figures - the mixed money supply news were received with gains in gilt-edged securities and stocks, while the pound gained over half a point on its trade weighted index to close at 88.7.

The Treasury welcomed the slowdown in broad money growth indicated by the sterling lending figures, and cautioned against reading too much into the M0.



February 1st 1953 is a date no Dutchman will ever forget. Throughout the night a fierce storm surge in the North Sea had been piled onshore by gale force winds.

observers in Zealand saw the giant sea dyke suddenly bulge and crumble. By noon vast tracts of the country were under water. Two thousand people and 250,000 farm animals died.

In the aftermath, it was obvious that massive new sea defenses were needed. The question was how to anchor them in the treacherous shifting sands. We provided the solution.

For years our fibres and polymers division had worked on polyesters that were so strong as steel. Now they were huge mats, flexible yet tough, which were bolted onto the sea floor and

staked into the dykes themselves. Once in place the mats, and the dykes, were immovable. This is but one of our contributions to the well-being of Holland and the other 40 countries where we operate.

We are one of the world's largest chemical companies, 70,000 strong, involved in areas as diverse as chemicals, fibres, polymers, coatings and health care and also, as it happens, salt.

Last year our sales totalled US \$8 billion. For further information: (31) 85 66 35 33. Akzo nv, P.O. Box 9300, 6800 SB Arnhem, the Netherlands.



CHAIRMAN'S STATEMENT



Richard Hornby
CHAIRMAN

With 16% of all mortgage business in the UK, Halifax Building Society can draw on more experience than any other lender in the housing market. In spite of difficult market conditions in 1989, we turned that experience to producing a set of excellent results.

Our assets went up 18.6% to £47.9 billion, our gross profit also improved by 16% to £534 million. Most tellingly, net mortgage advances increased to £6.2 billion.

But financial results are not the only way we judge our performance.

The satisfaction of our customers is of most importance to us and so in 1989 we again improved and extended the services we offer.

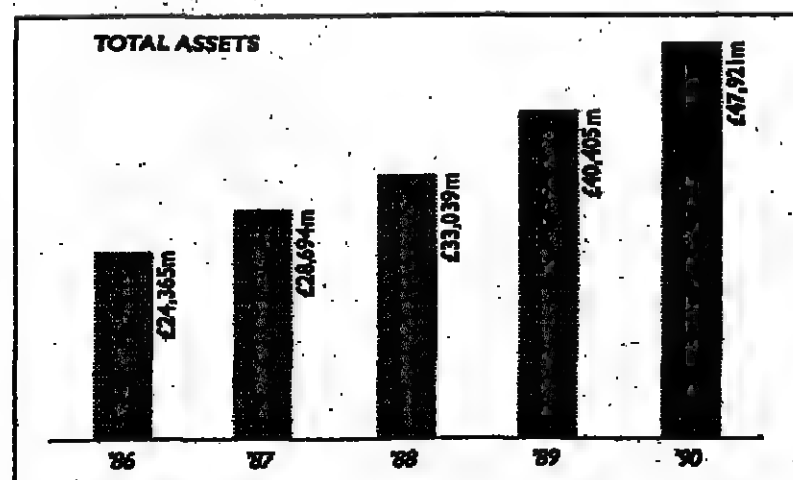
Our primary business is in housing and savings and the market last year was one of the toughest for years – for customers and building societies alike.

Investment and Savings

1989 saw further innovations in our portfolio of investment products.

We introduced a new premium rate product – Capital Xtra – and a regular income account – Monthly Income Xtra.

The market's response to this enhanced product range was particularly encouraging with over £23 billion flowing into our branches.



Banking Services

Perhaps the most significant launch of the year however was our MAXIM current account, which in the first three months alone attracted over 100,000 customers.

With MAXIM, the Halifax can now offer a full personal banking service from cheque book to credit card, from personal loans to travellers cheques.

Later this year, Halifax will launch its

forefront of the mortgage market and we are committed to continued development of our Home Buying Service.

During the year, Halifax Property Services consolidated its position in an extremely difficult market. It will emerge leaner and fitter and well able to compete in the housing market of the future.

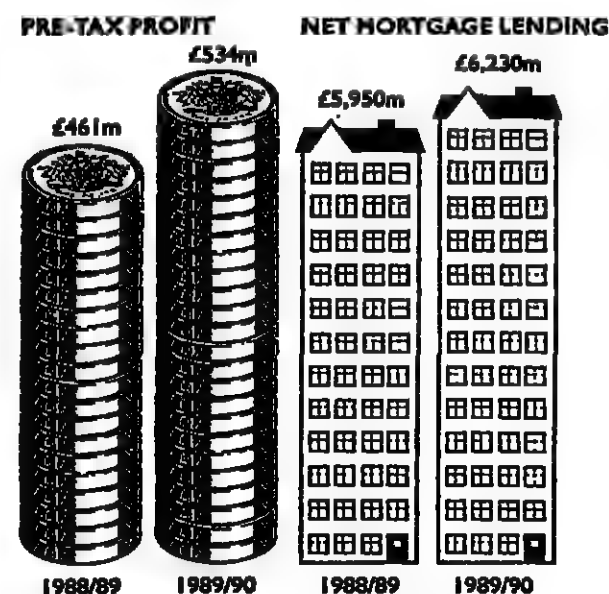
Customer Service

The major progress we have made in improving our branch facilities continues to free branch staff from routine administration allowing more time for discussing needs and offering advice to customers, tailoring financial packages to suit them.

A further major development during the year, in our quest to improve on customer services, was the extension of our Financial Services operation, offering a wide range of insurance products.

Our link with Standard Life, Britain's leading life assurance

office, will help us extend our portfolio into Unit Trusts and PEPs.



Building on Strength

These results, initiatives and innovations show experience at work helping the Society to consolidate its position as the leading mortgage lender and to pursue its aim to be the No.1 provider of personal financial services in the UK.

YEARS LIKE
1989
DEMONSTRATE
WHY
EXPERIENCE
COUNTS.

own SWITCH card facility which allows customers to pay for goods and services without having to write a cheque.

Housing

During 1989, we undertook several initiatives in the housing market.

For example, we introduced a special discount for first-time buyers so helping those seeking to make their first step onto the housing ladder.

Our range of low start schemes was also improved and widened in scope and better terms on our Apex mortgages gave a helping hand to those wanting larger loans.

All of these moves help to keep us at the



MANAGEMENT: The Growing Business

Why Hobsons' choice backfired

A public flotation can induce pressures that reveal endemic management weaknesses. Vanessa Houlder reports

Hobsons Publishing's career as a quoted company was short and sour. In 1989, the Cambridge-based educational publisher slid into loss and last month - little more than three years after joining the market - the company recommended an offer by the Dally Mail and General Trust.

In Hobsons' offices in a bicycle-strewn backstreet of Cambridge, Adrian Bridgewater, chairman, is frank about the experience. "We went public without understanding the management implications," he says.

Driven by the need for growth which it felt the stock market demanded, the company tried to expand quickly without an adequate system of checks and balances. The result was a devastating trio of problems: a flawed acquisition, an expensive but useless computer project and a widespread failure of financial controls.

By October, there had been a total collapse in controls, according to Trevor Bedford, one of the consultants from Ernst & Young brought in to review the company. "The cash flow situation had got out of hand. Nobody had been watching the bank balance and there was no monitoring of creditors or working capital."

The experience was an acute version of the growing pains that are frequently encountered by small, ambitious companies. Many of the problems lay with the group's structure, which evolved gradually since it was set up in 1974 as a spin-off of the Careers Research and Advisory Council.

The systems that developed were idiosyncratic, although they were adequate while the company was relatively small. "We did not really need financial controls when we met every Monday morning," says Bridgewater.

But Hobsons expanded quickly. From its origins as a careers publisher, it moved into directories and consultancy services and later branched into hotel and restaurant guides.

As it grew, it made some

attempt to introduce more sophisticated controls. Soon after its placing it invested in a new computer system that was intended to monitor project costs and schedule titles as well as doing basic accounting work.

The software, which was written in-house, failed to work. The system was slow and clumsy and could not handle the volume of transactions generated by Hobsons' rapid expansion. With mounting frustration, Hobsons threw more and more money at it, taking the cost over £500,000.

Bridgewater now reckons that an off-the-peg system costing just £30,000 would have done the job.

In part, Bridgewater blames the quality of the local computer company he uses and feels he would have done better to go to a London firm. The growth in the number of businesses in the Cambridge area - substantial though it has been - could have been greater had it not been "held back by the shortages of these kinds of service," he says.

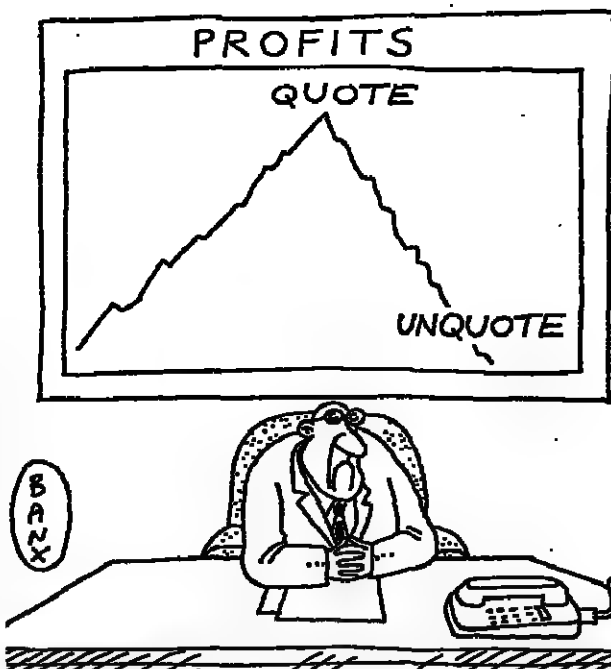
Trevor Bedford, an accountant from Ernst & Young who was brought in to review the company and stayed as financial controller, diagnoses the problem as the "classic computer trap." "There was never sufficient communication between the finance department, the programmers and the publishers, so the software writers never got enough guidance or support," he says.

It has now been scrapped for everything but basic ledger work while a much more sophisticated project control system has been started from scratch.

Underpinning many of Hobsons' problems, however, was a poor cost structure. It had three income-producing divisions: learning materials; directories and advertising services; and consultancy services, which were backed up by production, financial services and editorial services.

Although the divisions budgeted sales and costs of sales, they had no real notion of their overheads. As a result they had no way of gauging the profitability of individual projects.

A result of the flawed cost controls was that expenses swelled from £2.82m to £4.33m last year as the salary bill doubled and Hobsons incurred the expense of running extra offices in London and Brighton. The company ended the



dors were dismissed and Hobsons launched proceedings for breach of warranties.

When difficulties first emerged, however, Hobsons was hampered by an agreement with Bodytalk which prevented it from intervening in the acquired company's management.

This restraint related to the period during which a clause was in force deferring part of the purchase payment. The final payment was dependent on Bodytalk's profit performance, commonly known as an earn-out. Bridgewater is now vehement in his dislike of deferred payment deals, which he thinks makes people corners to reach their profit target. "Earn-outs are designed by corporate finance people to destroy businesses," he says.

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A result of the flawed cost controls was that expenses swelled from £2.82m to £4.33m last year as the salary bill doubled and Hobsons incurred the expense of running extra offices in London and Brighton. The company ended the

year with a loss attributable to shareholders of £464,000 on a turnover of £3.4m.

"It was just overstaffed," says Trevor Bedford, the newly-appointed financial controller. "There was no cost-benefit analysis done on extra employees."

On the face of it, Hobsons had a strong financial division, with three qualified accountants. But partly thanks to the personalities involved, Bridgewater - who readily admits he is not a financial person - found it difficult to extract financial information from his finance team.

Now Hobson has introduced a new system to produce greater accountability. There is a director in charge of each division: recruitment, education, leisure and business-to-business. Each unit is allocated a proportion of overheads and monitors its expenses itself.

"We are vastly more cost aware," says Peter Leary, a 31-year old publisher of educational directories. "Before, when I was working out budgets, I was not taking into account copy sales, promotional budgets or salespersons' commissions. In retrospect, the budgets were not much use at all."

The new structure has yet to be fully tested and may change yet again under the aegis of the Dally Mail and General Trust. The direction it takes under its new owner, which will install a new managing director but keep the existing executives, divisions and headquarters, remains to be seen.

Hints on managing credit

Good credit management is crucial to business survival at any time but particularly at a time of economic downturn. A timely seven-point guide to the subject is included in a 'booklet' produced by Alex Lawrie, a factoring company.

● Evaluate the credit status of new customers by taking up a bank reference and at least two trade references or consulting a credit reference agency.

● Define and agree credit limits with customers. Do not allow unlimited credit.

● Define and agree payment terms with customers. If you are in a competitive market you may have to allow reasonably long terms - of 60 days - though in an easier market you may be able to insist on less. Whatever you decide, tell your customers first.

● Make sure invoices are prompt and accurate. Record purchase orders accurately and process them rapidly. Show order numbers clearly and describe exactly what charges are for. State payment terms clearly on the invoice.

● Keep accurate records. The sales ledger must record sales, credit notes issued and adjustments to accounts. Invoices and payments should be entered as soon as they are issued or received.

● Follow up outstanding accounts. Check that customers have received invoices and ensure they have been "passed for payment." Don't hesitate to send reminders if payment is overdue. Be polite but firm.

Use telephone contact to establish what invoices are being paid; how much is being paid when and how payment will be made and the name and position of the person you are dealing with. Confirm significant points in writing.

● Reconcile payment against specific invoices. Some invoices are complex and you should be able to relate the figures shown to specific order numbers and amounts. A separate record should be kept of unpaid invoices.

* A Guide to Credit Management. Available from Marketing Manager, Alex Lawrie, Resource House, Beacon Road, Banbury, Oxfordshire OX16 1RN. Price £5.00.

CB

A tool kit for innovation

Charles Batchelor reports on a NEDO initiative

NEDO, the National Economic Development Office, has launched what it calls an Innovation Management Tool Kit to help British companies improve their capacity to change.

The Tool Kit consists of a series of questionnaires and manuals to enable management teams to analyse and improve their performance. It is intended for the 15,000 small to medium-sized manufacturing companies in Britain - those employing between 50 and 1,000 employees and with sales of between £1m and £100m.

This project, which has cost £250,000 and taken three years to prepare, is meant to counter

what NEDO perceives to be an undue concentration by British management on surviving recession at the cost of planning for growth and introducing new products.

Chief executives, managers and employees are each asked to assess their company's performance in ten areas such as creating a company culture, internal communications, customers, technology and finance. Chief executives frequently view things very differently from their subordinates so all parties need to agree on issues and priorities, says NEDO.

The questionnaire asks people to say whether they agree or disagree with statements

such as: Our company has an explicit mission statement. This statement is known only to senior staff. If profits are high we give innovation a low priority. My manager will interrupt me at home in the evening rather than take a decision over my head. In this company we shoot the bearer of bad news.

Once management has pinpointed problem areas the Tool Kit makes suggestions for further analysis and for the drawing up of action plans to find solutions. Some companies may be able to help themselves but others may need to call in outside consultants, says NEDO. The Tool Kit is published by HMSO and costs £250.

A common objectif for 1992

Charles Batchelor reports on an Anglo/French venture

The chairman and managing director of 26 small and medium-sized French businesses met their counterparts from 100 British companies in Brighton last week as part of an unusual French initiative to forge international links ahead of 1992.

The French and English companies will spend the next few months attempting to negotiate joint ventures, partnerships or distribution agreements.

The co-operation programme, known as Euroobjectif, has been launched by the Economic Development Board for the département of Essonne, to the south west of Paris. Essonne contains a high number of public and private sector research establishments which

have spawned many high-technology start-ups.

The activities of the French companies range from telecommunications to robotics, architectural partnerships, to interior design. For most a link with a British company represents their first step towards establishing a European dimension to their business, according to Yves Jégo, director general of the Economic Development Board.

The Essonne initiative arose from the approach by a British firm of architects to a French architectural practice. The development board decided to launch a broader programme and 350 chief executives of small and medium-sized Essonne companies were invited to take part.

Among the French companies which took part were SIFEG, a designer and installer of prefabricated concrete wine cellars with annual sales of £4m; CETRA, a research and development company in the field of micro-electronic engineering; and Luttrana, a manufacturer of electronic weighing machines with £28m turnover.

The French companies had expected British small firms to be insular in their approach but they had been surprised by the strength of interest shown.

Contact Commercial Section of French Embassy, 21-24 Grosvenor Place, London SW1, Tel 071-235 7080 or Comité pour le Développement Économique de l'Essonne, Espace Europe, 6-7 rue François-Truffaut, 91042 Bory CEDEX. Tel 1 64 97 79 38.

In brief...

■ Employment growth in the small business sector has run its course, at least temporarily, according to the latest National Westminster Bank quarterly survey* of small businesses in Britain.

Marginally more small companies expect to shed labour in the first quarter of this year than anticipate an increase in staff, the first time this has happened in the six years the survey has been published. Seventeen per cent of the 1,090 companies polled said

they expected a fall in the number of employees while 15.3 per cent forecast an increase.

The small business sector continues to expand, though at a slower rate than previously. Increased sales are expected by 38 per cent of companies surveyed compared with 49 per cent in the previous quarter. Interest rates headed the list of problems confronting small businesses with 27.5 per cent of respondents mentioning this issue followed by low turnover (15.4 per cent) and cash flow and payments (13.5 per cent).

* Published by Small Business Research Trust, Open University, Walton Hall, Milton Keynes MK7 6AA. Tel 0508 655831. £25 per copy.

■ The Small and Medium Enterprise Centre at Warwick University Business School has launched what it believes is Britain's first university-avoided diploma in small and medium-sized business management. The course is a one-year distance-learning programme. Contact Nigel Sykes, Warwick Business School, Tel 0203 523521.

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ALL rooms 22 spacious bedrooms, superb public rooms. Converted in 1988. Other
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L. H. Gatoff, BA (Econ), FCA, and R. C. Turton FCA,
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Spicer & Oppenheim & Partners
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Newcastle upon Tyne NE1 6EA
Telephone: 091 261 4111 Fax: 091 232 7665



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The company operates as a
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Preston

PR1 3JJ

Tel: 0772 538888

Fax: 0772 202820

Grant Thornton

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- * Order book with regular customers
- * Dedicated and skilled workforce

For further information please contact either
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- * Comprehensive range of "Precision" printing machinery
- * Order book with regular customers
- * Dedicated and skilled workforce

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THE BUSINESS

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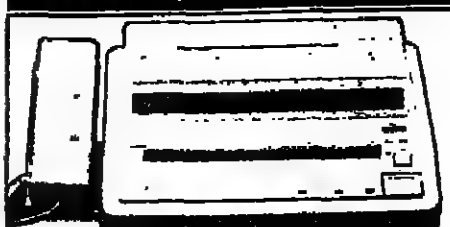
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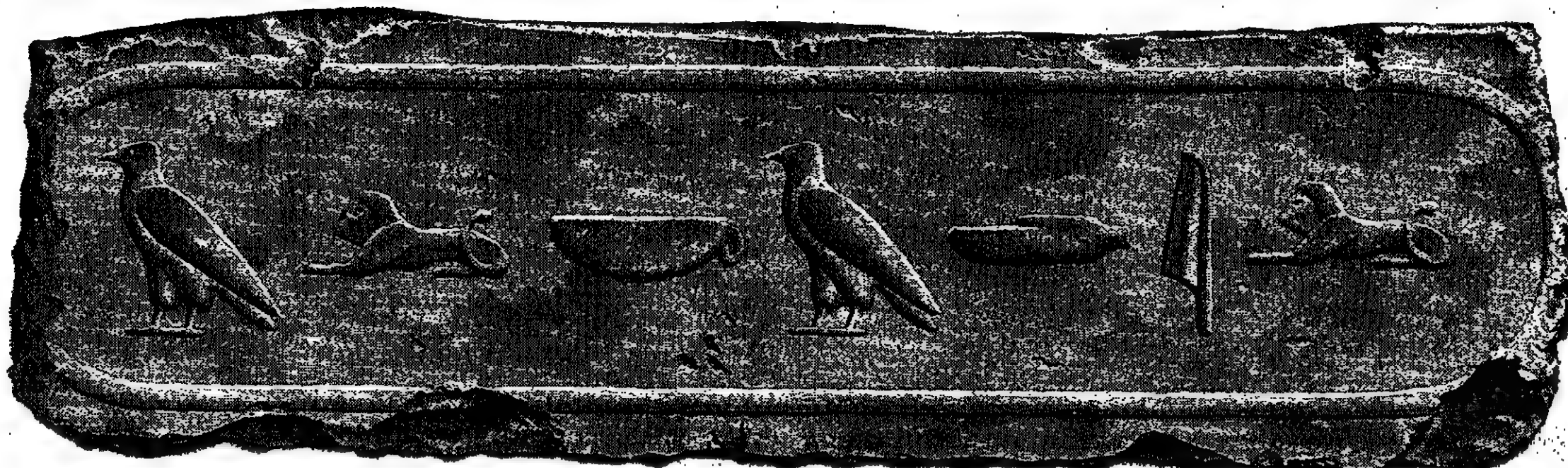
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ARTS

A major talent in critical eclipse

A exhibition need not be especially large to be important, and a significant retrospective study may be achieved with surprisingly few works. This last is a trick of which that distinguished veteran, Andreas Kalmar, is a master. His latest coup to fill his Crane Gallery (178 Brompton Road SW1, until July 21) with some 30 major paintings by Sir Matthew Smith, some for sale but many on loan from private collections.

Smith died in 1939 at the age of 80, having worked on through his later years, though with failing health and eyesight. The period covered here is effectively that of the mature career, from 1913 - when Smith, lately returned from France, married and settled in Cornwall, at last came into himself as an artist - to the mid 1940s. There is an opportunity to see works that have at best rarely been shown in public and are all too unlikely to reappear.

Matthew Smith is undoubtedly one of the major figures of the English School of the earlier 20th century, but he remains critically unfashionable and hard to place, too French in his work for some palates, not French enough for others, a *fauve manqué*. He had trained at the Slade but spent long periods in France as a young man, following the steps of Gauguin and O'Connor to Pont-Aven in Brittany, and studying under Matisse in Paris.

Had he committed himself to France completely, he might perhaps have had his work accepted both here and there on its merits, rather than suffer the grudging assumption of being essentially second-rate, after the long-held English habit of deference to Paris and Parisian indifference to everything and everyone else. The truth is that Smith was always his own man, openly indebted to the French school, but bringing to that cleaner palette a lower, more brooding and intense tonality that could only be English, born of Ricket and Camden Town.

When, by around 1930, he had freed himself not so much in his painterly vision as in the practical handling of the paint, he became like no other painter in England but bears comparison only with his sometime master, Matisse. There is the same rapid curvilinear line, the same hedonistic visual delight in the subject of the painting - landscape, still-life, the naked model on the bed. The essential difference is that where Matisse is inclined to be flatter, more linear and graphic in his handling of paint and image, Smith is always richer, fatter, the brush full, the paint worked across the surface of the canvas, the image described through the modelling across the form. Where Matisse would lay the paint cleanly on the surface, the drawing always clear in the abatement of colour against colour, for Smith the delight was clearly in the mixing and moving of the stuff of paint.

Matthew Smith is undoubtedly one of the major figures of the English School of the earlier 20th century, but he remains critically unfashionable and hard to place, too French in his work for some palates, not French enough for others, a *fauve manqué*. He had trained at the Slade but spent long periods in France as a young man, following the steps of Gauguin and O'Connor to Pont-Aven in Brittany, and studying under Matisse in Paris.



"Model Working," one of Sir Matthew Smith's early nudes

large for the table they occupied, ordering a second bottle with a voice of rusty thunder; Matthew Smith, who shrank back into his chair and cast nervous glances round the room, taut, . . . shy, small, myopic, he seemed difficult to associate with his heavily ensanguined nudes, which suggested that, before he began to paint, a stoutish model had been chained alive and then left to bleed to death upon a pile of satin cushions. I am not so sure about the bleeding to death, but I can see what he means: for me it is

rather more the dark, languid siesta of the odalisque. A voyage of discovery, the South Bank Centre Touring exhibition now at the Camden Arts Centre (until June 17, then on to Exeter, Bath, Wakefield and Worthing) is another but larger retrospective, its effect not so satisfactory. Its subject is Patrick Hayman, who died in 1988 at the age of 73, a painter in the English mystical tradition that runs from Blake and Palmer down to Spencer and Cecil Collins. But what gives his work its particular character is the

cross-strain of *fauve* self-expressionism that acknowledges old Alfred Wallis as the true naïve, but looks quite as much to Nicholson, Wood, Lanyon and other artists of mid-century Saint Ives. Hayman was always his own man, his work distinctive for a visionary intensity, concentrated within a small scale yet broad and simple in its statement. But it is in the nature of his type to establish both method and vocabulary of imagery early in the career and to stay with them throughout, which makes for evenness

of performance rather than profound development and change. It is a curious irony that so singular an artist should seem undistinguished only in his own retrospective. He was poet and writer as well as painter: . . . out of the fragments of his life the artist constructs his universe which is a world of possibilities, a legend, a small enclosed world that reaches out in the direction of great possibilities. . . . To paint is to start on a voyage of discovery. . . .

William Packer

Music for Life

SOUTH BANK

On Sunday, for most of the day and much of the evening, more than 400 musicians and actors occupied all parts of the South Bank arts buildings for a special kind of celebration: "Music for Life," masterminded by Graham Vick as artistic director, a continuous programme of festive events. Since their purpose was to raise money for the AIDS fund-raising body CRUSAID, the quality of celebration was tinged with a special poignancy, courage, and generosity. All artists appearing without fee.

The diversity of the events - songs, readings, solo and group instrumental performances, mini-operas, a rare film (the silent *Rosenkavalier*, given with full chamber-orchestral accompaniment), jazz and gospel-style sessions - was splendid. The Philharmonia Orchestra's evening concert, conducted by Simon Rattle and John Mauceri, seemed to provide a climax to the whole occasion, a gala with famous singers. But it was far more than a Grand Vocal Concert, since the bill of fare had been planned with great intelligence and sensitivity to trace and link some of the themes that must inevitably demand consideration in any such enterprise: human suffering, human mortality, and the power of personal and communal endeavour to triumph over

human frailty. Beethoven began and ended the concert - the third *Leopoldine* Overture, by Anne Evans) and then the final scene from *Pelleas* (with the Philharmonia Chorus and chorus-members of ENO and Covent Garden). Excerpts from operas were aptly varied: *Der Rosenkavalier* (with Felicity Lott), *Don Giovanni* (with Sherrill Milnes and Miss Lott), and *Porgy and Bess* (with three alumni of the Glyndebourne production, Cynthia Haymon, Willard White, and Damon Evans). The longest item was the concluding "Farewell" from Mahler's *Song of the Earth*, sung by Brigitte Fassbender.

It is in the nature of such occasions that performers will bring something extra thereto: certainly, the Mahler - in the best sense underplayed, words lightly touched, notes subtly coloured rather than being squeezed dry of emotion counts as one of the finest performances Miss Fassbender has given in this country. This was, indeed, a wholly serious concert, with a charged atmosphere, but also with glorious moments of light relief, moving and entertaining in exactly proportioned parts. All honour to its participants.

Max Loppert

Bernstein

BARBICAN HALL

Last year Leonard Bernstein wrote a modest amiable song-cycle, *Arias and Barcarolles*, the title from the late President Eisenhower, who once remarked to the composer that he liked something with a theme, "not all that arias and barcarolles." (Andrew Porter welcomed it in this page.) In the first version the two singers were accompanied by piano duo.

Now Bernstein and Bright Sheng have translated the score to strings with light percussion, and Michael Tilson Thomas and the London Symphony played it last night with Judy Kaye and Benjamin Luxon as soloists.

There are sort-of-arias, and ripples of a barcarolle or two, but mostly these are disarming little songs and duets about love and mostly to Bernstein's own autobiographical words - indulgent, if you like, but only in the "indulgent grandpa" sense, maybe a touch foolish and, I judge, Miss Kaye and Thomas and the London Symphony sounded unembarrassed and comfortable with them, safely avoiding cuteness.

Two numbers are much longer than the others all chips from the workbench, surely: "Love Duet" in which the words describe the phases of the developing tune - Bernsteinian deconstructionism - and "Mr and Mrs Webb Say Goodnight," a domestic scene which has orchestra-members mostly improvising the hideous sounds of a domestic quarrel before and after.

Nearly all the orchestration works well; I had doubts only about "Love Song," where the steadily unwinding even notes must surely go better on plain piano. Closer to the middle song, a still children's choir, a fine Mahlerian string outcry which seems unimaginable as piano-writing.

The other short songs are the wry "Love of My Life" (the

baritone is not quite certain whether ever happened), a sentimental effusion about the birth of babies (not really for export, I think) and an odd Yiddish sketch of the fiddler at a wedding, with a surprisingly fierce conclusion. The cycle begins with a sharp Broadway prelude, and ends in a slower (anniversary) waltz.

The rest of the programme was Stravinsky, including the six-minute cantata *Zvezdochki* from 1912, peculiar and haunting, and a mad extravaganza, with a whole male chorus, large few celesta, who were needed for nothing else. The Tallis Chamber Choir sang firmly, as nearly in tune as one ever hears in this place, and the orchestral sonorities were pungent. Tilson Thomas chose to perform the symphonies of Wind Instruments in the latter, more economical version, but marked carefully each echo (or pre-echo) of *Le Sacre du printemps*. The monumental air of the piece was sternly maintained, and it sounded beautiful.

So did *Le Sacre* itself. Since their exciting performance some months back, the conductor and his orchestra have contrived brilliant solutions to the worst problems of balance that were noticed earlier, without diminishing the barbaric splendour they had then boasted. It was possible to think that lingering as much as Tilson Thomas did over the slow quasi-rectangular finale, the two too romantic, and contrived that a certain brutal inevitability in the climactic numbers was dissipated by racing tempi, and certainly that the horns should learn to play legato in the "Meditation" for the children's choir, though the impact of this *Sacre* was terrific, and most thoughtfully set up.

David Murray

SALEROOM

A Brown bundle

There have been Browns at Colston near Haddington in East Lothian, Scotland, since the 12th century, although the estate has often descended through the female line. The executors of the late Colin Brown have cleared out the furniture from the rooms added in the 1880s and Sotheby's is handling a two-day sale. The morning session of furniture yesterday realised £665,545, but with 14.4 per cent unsold, rather high for a house sale.

The most famous Brown was James Andrew, who was also the 10th Earl of Dalhousie, raised to a Marquessate after his exploits in India where he defeated the Sikhs and annexed the Punjab in 1849. He bought many treasures back to the family home and in the afternoon session a portrait of the young Duple Singh, his Indian opponent, by George Beechey, sold for £85,000.

It was bought by the Gurnett Centre in London which acts as a cultural base for Sikhs living in the UK. Dalhousie was very fond of the young prince, who was also a favourite of Queen Victoria, perhaps not surprisingly since he handed over the Koh-i-Noor diamond in return for a British pension. He became a Christian and lived in England, adopting the name of an aristocrat and acquiring Elvedon in Suffolk. He also fell into debt and attempted to rally the Sikhs against the British Empire. A facsimile of his mahogany state chair, commissioned by the Marquess around

1850, went to the Centre for £8,000.

Two Van Dyck studio portraits of Charles I and his family sold for £57,200, a good improvement on the 190 guineas they realised in 1919, and among the furniture, the top price among the English was the £45,100, two estimates for a pair of George I gilt gesso side tables; for the continental, £27,500 for a Maltese olive-wood marquetry kneehole bureau cabinet of the 18th century (which is returning to Malta); among the Indian, £37,400 for an ebony and ivory centre table of the early 19th century. The star of the sale was perhaps a flintlock gun made in Sind around 1800 which was estimated at £1,500 and which sold for £15,500.

The under bidder for Van Gogh's portrait of Dr Gachet, which sold for a record \$82.5m at Christie's in New York last Tuesday, was not Mr Stavros Niarchos, as widely reported. Although a secretive buyer of top-rate Impressionist and Modern art he has strenuously denied being the mysterious competitor for this picture.

Christie's had a good solid sale of British ceramics in London yesterday with a total of £313,221 and only six per cent unsold, Brian Haugland, the London dealer, paid \$50,500, double estimate, for a creamware botanical part dinner service of well over a hundred pieces, probably made in Staffordshire around 1805.

Antony Thorncroft

A Knee in the Nineties

NEW END THEATRE, HAMPSHIRE

Out, damned spot? "Mrs Macbeth has been using ordinary detergent for years," says the gentlemanly director, the RSC's new commercially sponsored Shakespeare season. On the "Dear Doctor" programme, a married couple dare to share with the camera the embarrassing problem that we don't find it . . . at all fulfilling . . . to make conversation."

In discussing the 26 sketches of *A Knee in the Nineties*, it's best to be unimpressed and apologetic, but let me report the fact that its first joke made me at once laugh aloud and loud, and that my enjoyment seldom flagged thereafter. No mean achievement. The whole rhythm of revue is usually uphill work for the audience: wise guys roasting each other in starts and stops, ludicrous situations leading up to smart-alec punchlines, endless digs at the current sacred cows. The three performers of Punchline Productions do all this, but they keep it remote, fresh by changing the pace of what they give you to laugh at.

And then most of their material - by Nigel Forde, Paul Burridge and other writers of several radio shows - is unusually good. I love Frank and Irene, the couple so aware of their inadequacy in mutual

Alastair Macaulay

Vincent

OPERA HOUSE, HELSINKI

The sale of a Van Gogh portrait for a new world record price of nearly \$20 million last week came at the very time when the artist's critical worth is itself poised to undergo a blip of inflation. This year marks the centenary of Van Gogh's death and tributes will be rendered in every kind of art venue, including the opera-house.

The first of what is expected to be a couple of operas on the artist's life was given in the premiere by the Finnish National Opera last Thursday. *Vincent* is the fourth full-length opera by Rintohalmi Rautavaara - a strangely appropriate subject as Van Gogh's melancholy and isolation make him seem as Finnish as the characters in any of the other contemporary operas that have poured out of this country in recent years.

And how many of them there are. The commitment of Finland to its living composers is nothing short of breathtaking. First came Kokkonen, Salonen and Holmsten. Now Rautavaara, formerly Professor of Composition at the Sibelius Academy, has *Vincent* in the repertoire and can look forward to a complete recording of his new work before the end of the year. Any aspiring British opera composer must sigh with envy and frustration.

For *Vincent* a recording

should prove a valuable exercise. Although the musical side of this first performance, conducted by Jussi Maunula, was in capable hands as far as one could tell, the production by Jussi Toppila, well lit but aesthetically unambitious, showed little originality in its handling of an opera that is by no means a typical stage work, or indeed a sure-fire success.

What Rautavaara has tried to avoid in his opera is putting

through his eyes and he has most of the best music, which takes on a more expressive quality as the opera progresses. It is singing and even rises to a total apotheosis in the final stretch, where the artist states his credo in idealistic terms. Almost all the other characters shut off from contact with the audience. Four singers appear in a variety of guises and were played as grotesques

This year marks the centenary of Van Gogh's death. Richard Fairman looks at an operatic tribute in Finland

a simple biography of the artist's life on the stage. The theme is rather intended to reflect universal (his own?) experiences. In the manner of a Van Gogh portrait his subject is drawn in an expressionist or almost surreal manner. There is no straightforward plot and times and places are run together in a vague suggestion of events.

This is a drama of the mind, with the singer of the title-role on stage almost the whole time (two hours less interval; the opera does not outstay its welcome). Everything is seen

caricatures. Van Gogh's brother Theo wins some sympathy in the portrayal of Matti Heimikari; Paul (Gauguin) and the prostitute Maria Hoornik, played respectively by Marko Penttinen and the rich-voiced Keva-Liisa Saarinen, put in appearances. The composer's wife, Sini Rautavaara, adds a somewhat tremulous soprano Gaby, the ideal woman.

None of them, though, makes much of an impression because the music does not let them. Rautavaara has based his score on a number of

varying tone-rows to give a greater variety of tonal colour than is usually possible in this style of composition; but the further he ventures outside the mind of his central character, the less personality the music seems to possess. The party scene, where he tries to whip up a standard operatic climax, predictably produced the weakest music of the piece.

This, then, is *Vincent*'s opera, even more than *Le prophète* belongs to Violette or *Death in Venice* to Aschenbach. The first idea for it came when the Finnish baritone Jorma Hynninen showed a photo of himself to Rautavaara and asked who he looked like. "Van Gogh" came the answer and the opera was born. Hynninen only takes the title-role and is in his portrayal, tirelessly sung and powerfully projected, that the evening derives its strength and purpose. A star turn of the finest kind.

It remains to note that Finland is having to build a new house to cater for the explosion in the demand for opera. Construction is already under way on a prime site by the water's edge and it is widely rumoured that the first production, in late 1992 or '93, will be the new opera, *Le Lac*, finished by Aulis Sallinen. The new wave of Finnish opera is still breaking on the shore.

ARTS GUIDE

May 18-24

OPERA AND BALLET

London

Royal Opera, Covent Garden. The century revival of *Il trovatore* in Piero Foggioni's production has Carol Vaness, Eva Randova, and Sergey Lefkovic in leading roles, and Edward Downes as conductor (240 1050/1911).

English National Opera, Coliseum. The premiere of *Robin Holloway's* *Clervine* (based on Richardson's novel) is conducted by Oliver Knussen, produced by Vivian Towner, Graeme Matheson-Bruce, Rosa Mannion, Penelope Wainwright-Clark, and Justin Lavender in leading roles.

The Marriage of Figaro, in Jonathan Miller's much-revived production, brings back Valerie Masterson, Lesley Garrett, and Rhina Robinson as ENO Moussierians, and introduces Steven Page's Count and Gregory Yurich's Figaro.

The rendering of *Ariadne on Naxos* is graced by the formidable soprano of Anne Evans (*Ariadne*) and Rita Cullis (Composers) (836 5161).

Paris

Paris Opéra. *Jeunes danseuses de l'Opéra*. Extracts from some of the favourite romantic period ballets (2475871).

Théâtre de la Ville. *Mais Ek* and Ballet Collège are followed by Pina Bausch and Wuppertal's *Pantheus* with a performance inspired by Macbeth's tragedy. (23742277).

Berlin

Opera. *Der Troubadour* is a Herbert von Karajan production. *Stiefkind* and *Götterdämmerung* are both part of the Old Friedrich cycle with Wagner specialists Ute Vinzing, Rane Kollo, Robert Hale, Hanna Schwarz and Matti Salminen.

Aida has fine interpretations by Anna Bogdan, Sharon Sweet and Giorgio Lamberti.

Further offered *Fidelio* with Deborah Polaski, Carol Malone, Lena Carlson and Gerd Feldhoff, and *Die Zimbeln*.

Hamburg

Opera. The new John Neumeier ballet *Tristan* was well received, and a Nijinsky gala closes this year's Hamburg ballet festival.

Fidelio will be conducted by Nikolaus Harnoncourt. *Arabische Nächte* has a strong cast led by Oliva Fröhlich, Felicity Lott, Kristina Laki and David Randall.

The successful Harry Kupfer *Tromphäuser* production has received favourable reviews sung by Stefania Toczyska, Gieseler Nussba, Kurt Moll, Anna Pauer and Andreas Schmidt.

Cologne

Opera. *La Traviata* has Maria Spagnola, excellent in the title role. The two new act Rossini operas *La Cambiale di Monzón* and *Il Signor Bruschino* are sung by Alberto Rigatti, John Del Carlo, Teresa Ringholz and Janice Hall.

Moscow

Josef Protschka repeats his performance in the title role in *Frank, Tristram and Isolde* is the highlight of the week with Gabriele Schmitt and Spas Wenkoff in the title roles, conducted by Ralf Weikert.

Bonn

Opera. *Die Fledermaus* has a strong cast led by Ludwig Baumann, Pamela Coburn, Claudia Rugeberg, Christina Laki and Helmut Lohner.

The new Rheingold production is sung by Siegmund Nimsgern, Graham Clark, Hermann Becht and Ekarna Schwarz.

Also in repertoire: the lively *Barber von Bagdad* production and a Marilyn Horne *Lieder* recital with songs by Handel, Schubert and Viardot.

Munich

Opera. *Der Barber von Bagdad* is of respectable standard with Lucia Poppe, Cornelia Wulkopf, Robert Gambill and Kurt Moll. *Neubau*, produced by Feri Halmen will have its premiere this week with star singer Julia Varsady, Wolfgang Brendel and Pasha Rurchiadze.

Rome

Teatro dell'Opera. Aprile Milla, Alberto Cingoli and Paolo Conti give excellent performances in a disappointingly conventional production of Verdi's *La Traviata*, conducted by Roberto Abbado.

The Kirov Ballet in Oleg Vinogradov's version of *Swan Lake*, conducted by Alberto Ventura, with sumptuous costumes designed by Gianni Versace (46.17.55).

Florence

Maggio Musicale, Teatro della Pergola. Giulio Chiosso's production of *Don Quixote* is *Perseus*, based on Byron's poem. Mariella Davis sings the title role, with Daria Radanti (Don Quixote) and Giorgio Zancanaro, Dimitri Kavakos and Tiziana Tramonetti, conducted by Bruno Bartoletti (2479561).

New York

American Ballet Theatre. The 50th anniversary season includes this week Sir Kenneth MacMillan's *The Sleeping Beauty* and an all-*Anthony Tudor* evening with *Dark Elegies* and *The Leaves are Falling*. Ends June 30. Opera House at Lincoln Center (862 6000).

New York City Ballet. With a repertoire still heavily steeped in Balanchine, the company features a festival of Jerome Robbins' ballets in the middle of a season that lasts until July 1. New York State Opera House, Lincoln Center (870 5570).

Tokyo

Chengdu Sichuan Chinese Opera. *Hibiscus Fairy*. Spectacular traditional Chinese opera company in a lyric piece about an assault on the virtue of a beautiful princess. National Theatre. Opens Tues (880 0031).

IPNA 3 N.V.

Notice is hereby given that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the Depository Receipts of IPNA 3 N.V. will be held on June 6th, 1990, at the office of the Stichting in Amsterdam, Herengracht 320 at 09:00 a.m. in order to review the annual accounts of IPNA 3 N.V. 1989.

According to article 9 of the Conditions of Administration holders of Depository Receipts who want to attend the meeting have to deposit their certificates at the office of the undersigned, at Herengracht 320, Amsterdam, on June 1st, 1990 at the latest or have to deposit on June 1st, 1990 at the latest at the mentioned address a statement from a bank that those depository receipts are in the custody of such bank and that it will keep those depository receipts in its custody until the end of the meeting.

Notice that the agenda of the meeting and the annual accounts for the year ending December 31st, 1989 have been deposited at the offices of the Stichting at the aforementioned address. Copies of both documents can be obtained at that address free of charge.

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FINANCIAL TIMES

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Tuesday May 22 1990

The role of shareholders

ONE of the least satisfactory features of latterday capitalism in Britain is that managerial failure in industry frequently goes uncorrected long after it has been widely diagnosed. The problem is compounded by the fact that shareholders are unduly dependent on takeovers to precipitate managerial change. So the chain of accountability from management to ownership is far too slack. Yet the inexorable increase in the big investment institutions' share of the UK equity market suggests that there ought to be an unprecedented opportunity to short-circuit the process of corporate decline through closer and more productive relationship between companies and their legal owners.

There are, as the accompanying article on this page clearly indicates, serious obstacles to enhancing industry performance through institutional intervention. The institutions are notoriously reluctant to abandon their freedom to sell shares in troubled companies, despite the increasingly illusory nature of that freedom, and have worried about incurring private costs in the public interest.

Lack of accountability

In the case of self-administered pension funds the reluctance to make greater use of their power has been unhealthily reinforced by Globe Investment Trust's bid defence against the pension funds of British Coal, which was based on the fact that the pension fund was not a legal owner of the company. It has shown none of the appetite of the earlier Heath government for more active institutional intervention.

The more practical reasons for the institutions' failure to do more involve inadequate human and financial resources

for the task, together with a lack of technical industrial expertise. And it is noteworthy that Britain's biggest institutional investor, Prudential Corporation, is not optimistic about the prospects for radical change. Yet there are several specific links in the chain of accountability that could helpfully be tightened.

Disclosure not enough

Institutional intervention works best through well constructed boards of directors. The time has surely come for the presence of non-executive directors to be mandatory for companies of more than a certain size and for greater disclosure of directors' ages, qualifications and remuneration packages in the annual report.

But disclosure alone is not enough. Institutional shareholders can do more than achieve too little in the past for want of will. The directors and trustees of the larger insurance companies and pension funds should make a more explicit declaration of support for joint institutional intervention and ensure that their own fund managers reflect that commitment when arguing collectively with other institutions over problematic investments. The case for inviting company directors to call in for joint institutional intervention and ensure that their own fund managers reflect that commitment when arguing collectively with other institutions over problematic investments.

Directors who are trustees of their own company pension fund must also recognise that short-termism partly stems from the fact that pension funds are a profit centre of the company. They should not leave key strategic decisions, such as votes on contested bids, to delegated fund managers who are preoccupied with quarterly performance criteria. If the legal ambiguity over pension fund ownership is an impediment to a longer-term approach, then a legislative overhaul may be called for.

Institutional intervention will never be a panacea. But it can be the best means of institutional under-achievement is justified. It is time for directors, trustees, fund managers - and indeed government - to take a more considered view of the responsibilities at all as rewards of share ownership.

Progress on a START treaty

THE prospects for the US-Soviet summit in Washington at the end of this month look distinctly brighter after last week's talks in Moscow between Mr James Baker, the US Secretary of State, and Soviet leaders. Though there is no cause yet for jubilation, some of the clouds that have hung over the arms control negotiations over the past few weeks have been dispelled. It now looks probable that, even if a Strategic Arms Limitation Treaty (START) is not ready for signature by Presidents George Bush and Mikhail Gorbachev by the time they meet, it will at least be far enough advanced for them to announce that an agreement has been reached.

In the circumstances, that would be a considerable achievement. Both nuclear and conventional arms control negotiations have been bogged down for weeks as the result of the unwillingness of the Soviet Union to make further concessions. Moscow's tougher stance was put down to the pressure that the Soviet military establishment, increasingly worried by the erosion of the country's military strength, particularly in eastern Europe, was exerting on Mr Gorbachev. Questions were even beginning to be asked about how long Mr Gorbachev, already beleaguered by conservative opponents at home, would be able to hold on to power.

True or not, the restrictions placed on Mr Gorbachev's capacity to manoeuvre as the result of domestic pressures, are clearly not as great as some Kremlinologists believe. He was able to make some quick deals when the negotiations with Mr Baker appeared to be deadlocked, at times surprising the US negotiators with the rapidity of the change in the Soviet position.

Best guarantee

Indeed, the overall impression left by the Moscow talks was that both sides were as keen as ever to maintain the improvement in bilateral and East-West relations begun under the Reagan presidency and endorsed last December by Mr Bush and Mr Gorbachev in Malta.

For the Soviet leader, a success on the international stage

is all the more important at a time when he is facing immense difficulties at home. For the US Administration, the survival of Mr Gorbachev is evidently still the best guarantee of a continuation of international détente.

The proof of the pudding is that the US made at least as many concessions as the Soviet Union last week. For the first time, the US agreed to place a ceiling on sea-launched nuclear cruise missiles and accepted that air-launched cruise missiles with a range of 375 miles or more should be covered by the treaty. Not the least of the American concessions was the agreement not to produce the controversial new binary chemical weapons, part of an overall accord under which the two countries will cease production of all chemical weapons and destroy 80 per cent of their stocks. This bilateral agreement, due to be signed at the summit, will give a much-needed boost to negotiations on a world-wide ban on chemical weapons in Geneva.

Vital negotiations

The agreements reached, however, should not be allowed to camouflage the substantial areas where differences persist. The conventional forces in Europe negotiations in Vienna, on which no progress was reported by Mr Baker, have been stalled for months because Moscow fears the consequences of the collapse of the Warsaw Pact and German unification on its position in Central and Eastern Europe. Yet these negotiations are, if anything, even more vital for the future security of Europe than START. The planned summit of the 35-nation Conference on Security and Co-operation in Europe (CSCE) at the end of the year, due to discuss the new East-West European "architecture", is linked to a successful conclusion of the conventional forces talks.

Other problems, such as Lithuania, if present efforts to settle it through dialogue come to nought, could still upset Soviet-American relations. Important as it is, a START treaty is only one of the items on the summit agenda. Much remains to be done in the next 10 days if a successful outcome is to be assured.

Despite the efforts of the Thatcher Government to promote wider share ownership in Britain, precious little of the UK equity market will be outside the hands of insurance companies and pension funds, on present trends, by the turn of the century. What does that mean for the way in which the investment institutions conduct their relations with industry and commerce?

Many of the great and the good in the City of London are convinced that more responsible ownership, involving improved accountability from management to shareholders, is called for. Yet few are very articulate about what this closer relationship might mean in practice, and to judge by the number of hostile recent statements made by industrialists about City short-termism, greater accountability may not be universally welcome. Nearly two decades after a Conservative government under Mr Edward Heath discussed with the Bank of England the case for having the institutions intervene more actively in corporate affairs, the institutions' potential for enhancing industrial performance remains a controversial issue.

What is not in dispute today is that a fair amount of responsible ownership does go on, sometimes under the auspices of institutional committees, often behind closed doors. The difficult question is whether it does much for Great Britain. From the Prudential's decision in the 1950s to question the flamboyant and free-spending Sir Bernard Dicker at Birmingham Small Arms, through the Post Office pension fund's assault on the perks of Marks and Spencer's board in the 1980s, to the institutional rejection of the terms of British Land's corporate restructuring last year, the focus of intervention has tended to be on such narrow financial matters as the dilution of existing shareholders' interests, directors' incentives and the level of dividends.

One senior figure at the National Association of Pension Funds candidly admits that there is too little intervention in relation to corporate strategy. Others are unhappy that they remain so dependent on takeovers, often at unsatisfactory prices, to find solutions to the problems of the industrial walking wounded. And certainly it is much easier to name examples where unsatisfactory management or long-term corporate decline failed to prompt timely institutional rebellion - British Leyland, Distillers, Plessey, Dunlop, Chloride spring instantly to mind - than cases of successful pressure for managerial change. Apart from Turner & Newall, the old asbestos materials and motor components business that now calls itself T & N, it is hard to pin down a large British industrial company whose board and subsequent performance have straightforwardly been changed for the better at the institutions' behest over the past half dozen years. Why is there so little to show for the institutions' efforts?

The biggest hurdle of all relates to the institutions' lack of industry-specific expertise and information

To start with the obvious, some clear cases for treatment are simply unassailable. The controversial tenure of Ebrahim Maguila at the sugar and property group Belfair International, for example, was protected by family and other personal considerations. The clearing banks, with whose performance some of the biggest institutions are unhappy, have been protected by the Bank of England from contested takeovers. And institutional dog does not eat institutional dog.

Chatham House man

Professor Lawrence Martin is rather an odd choice as the new Director of the Royal Institute of International Affairs (Chatham House). For a start, he has never seemed to take the British establishment quite seriously.

Martin could have had a senior post at Oxford years ago. Instead he chose to move from the University of Wales, where he was Woodrow Wilson Professor of International Politics in the 1950s, to become Professor of War Studies at King's College, London.

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The limits to institutional power

John Plender asks whether responsible ownership has the potential to enhance the performance of British industry

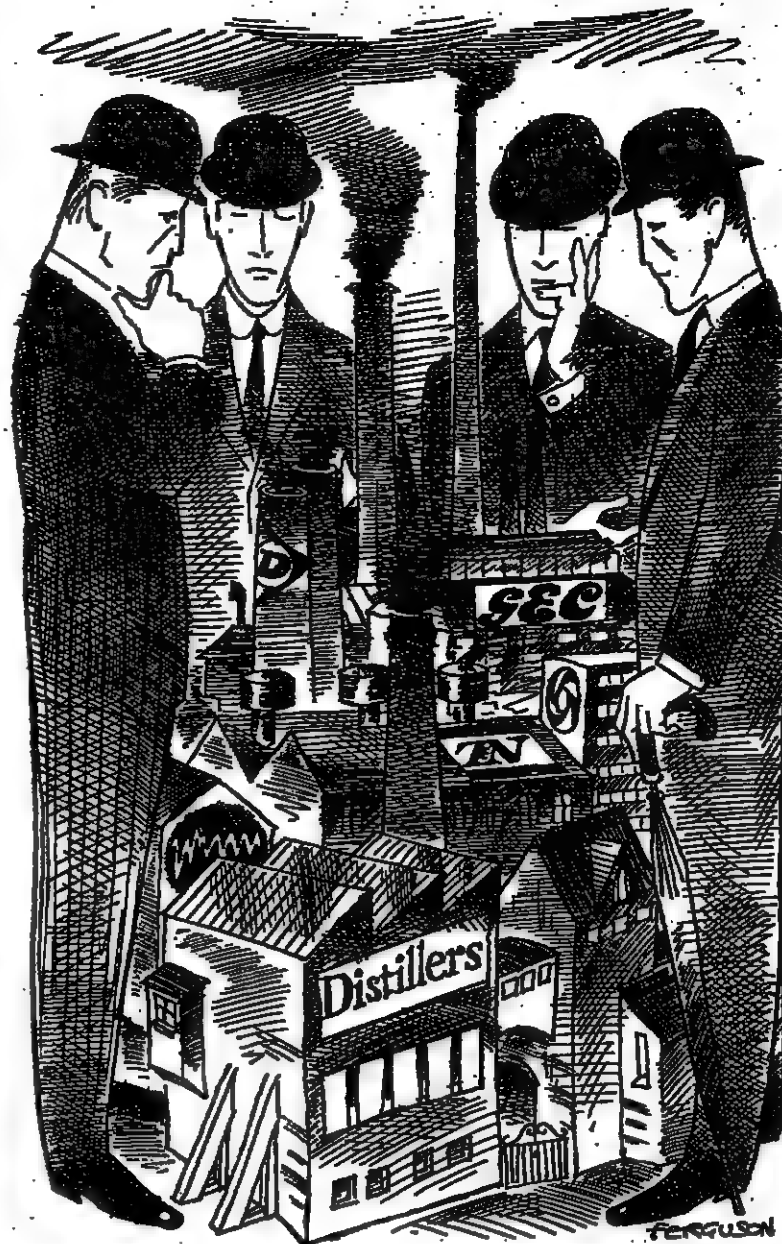
which helps explain why widespread scepticism about management at Commercial Union in the 1970s failed to generate action from fellow insurers. In the manufacturing sector, meantime, rising corporate profitability in the second half of the 1980s has probably disguised problems of underlying strategy.

As for the institutions themselves, many hang on to the belief that they may be able to sell out despite the difficulty of selling large shareholdings and the strong statistical evidence that fund managers rarely outperform the market. The belief is particularly strong among the merchant banks, which rely heavily on performance to sell their investment management product. And their urge to remain passive has been reinforced, historically, by the fear of alienating the corporate finance department's present and potential clients. Despite the introduction of Chinese walls in the 1980s many merchant bank fund management offshoots remain closer to a philosophy of share trading than any concept of ownership.

Looking back at those examples of intervention that have surfaced publicly, it has often been a case of the Pru and who else. Britain's biggest institutional investor reckons to be in discussions with several problem companies at any given moment. When push comes to shove, support from other institutions can be helpful. Yet they have been known to melt away at the crucial moment. And in the larger institutions that have followed the Prudential down the interventionist route people privately admit that working at the task through committees is slow, painful and often unproductive. Nor is finding alternative management easy.

The biggest hurdle of all relates to the institutions' lack of industry-specific expertise and information - a big difference compared with continental European banks that play a key role in corporate strategy. This is partly a question of the structure of the British investment business. Self-administered pension funds, merchant bank investment departments and all but the biggest insurers are grossly under-managed and under-resourced in relation to any serious ownership function. Analytical expertise exists instead in the broking fraternity, whose financial interest lies in high short-term levels of turnover, not stable, long-term shareholding. That helps explain why the institutions have been so reluctant to take on such crucial issues for them as inflation accounting or the treatment of goodwill, has been so poor. And even if the institutions were more heavily staffed with experts, second-guessing corporate strategy poses severe problems.

Consider the case of Lord Westminster's GEC, a company that has worried some institutions for years. It is said to have failed to break through into the international big league in electronics. It is frequently accused of under-investing and has squandered its resources on a number of ill-fated ventures. The board, which includes such people as F. Ross Johnson, whose role in last year's RJR Nabisco buy-out has attracted heavy criticism, Lord Rees-Mogg, a former editor of



the Times and personal friend of Lord Westminster, and Lord Westminster's son Simon, is seen by some as providing too little counterweight to Lord Westminster himself.

But to take on GEC the institutions would have to confront a powerful, entrepreneurial personality whose mastery of the details of this complex business is legendary, even if his share stake is now dwarfed by that of the Prudential. Despite all the criticism the financial performance has been far from poor, especially when compared with competitors in continental Europe. And the group has just embarked on a significant change of strategy, involving a number of joint ventures on which the details are none too clear, in response to the upheaval in the structure of the European market. Intervention, before the new strategy has been properly tested, might be hard to justify except in the event of an unconscionable succession to Lord Westminster as managing director.

Then there is the case of British Aerospace where some fund managers find the accounts opaque and worry about recent diversification moves including the one into Rover Group, an acquisition with immense strategic problems that are relatively easy to understand. But even if the industrial logic was wrong, it would have been hard to argue with the chairman, Professor Roland Smith, when he could promise enormous gains for the company's balance sheet and short-term profitability. The government was after all, paying British Aerospace to take Rover off its hands. And few would have disputed the obvious need for some diversification away from defence contracting.

Yet it is precisely when companies are forced to diversify away from core businesses that the seeds of corporate destruction are often sown - witness Ferranti and British & Commonwealth's recent disastrous acquisitions. Especially where the core business is mature there is a temptation

for incumbent management to pay too much, to undermine the balance sheet with excessive goodwill, or take on excessive risk in unfamiliar businesses. Because of the abortive bid by Sir James Goldsmith's Hoylake consortium, BAT Industries has been at the centre of attention on this score. But there are other companies where institutional investors have their doubts.

BCI, the former Blue Circle, has diversified out of its mature and cyclical cement business into such unrelated businesses as lawnmowers, but too expensively in the view of some. Granada Group, having successfully diversified out of one core business many years ago into TV rental has now been diversifying again - with less apparent success in computer servicing, electrical retailing and a big question mark over a large investment in British Satellite Broadcasting. But before the institutions call for heads to roll, they have to acknowledge that the case for diversification is real enough and that Granada still generates much profit and cash - as does BCI.

These names should clearly be on the institutions' list of companies to watch. But they also demonstrate the nature of the owners' problem in seeking change from incumbent management. It helps to be able to exert pressure through non-executive directors on a well-constituted board; and waiting until a company's earnings record provides an unassailable critique clearly provides a better platform for radical action against powerful personalities.

Could the business of removing questionable management be speeded up? One way might be to increase the institutions' leverage by reducing the percentage thresholds for deals that require shareholders' sanctions under the International Stock Exchange's listing agreement. But industrialists would almost certainly regard this as excessive bureaucratic interference. Another more promising avenue might be for the institutions to invite management to join in commissioning management consultancy reports into those areas of strategy that worry the institutions. Any failure to agree to the owners' request would clearly be bad publicity for the management if the institutions chose to let the facts be known.

But even the most radical institution-inspired boardroom *putsch* cannot be relied on to provide lasting solutions. In the early 1970s the Prudential successfully spearheaded a move to unseat the then chairman of Vickers, Sir Lesley Rowan. Nearly two decades later, after the loss of another core business through nationalisation in the interim, the argument about Vickers' diversifications continued to rage when Sir Ron Brierley tried to persuade shareholders to join him in an attempt to unbind the company.

No doubt the institutions could be more active. But some of their finer victories go unsung because they are unpublished. Or simply unnoticed:

The institutions could be more active. But some of their finer victories go unsung because they are unpublished

good sense among British insurance companies and pension funds, combined with an investment culture more heavily directed towards equities than bonds because of Britain's high historic rates of inflation, helped prevent junk bond excesses of the kind that overtook the United States.

But there are limits to what responsible ownership can achieve. The institutions are, after all, what their name implies - institutions, not entrepreneurs.

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OBSERVER



"He must be mad."

(The Ship's Keel) were clearer than the best views taken from earth-based telescopes.

Hubble's first discovery - that one star in the cluster is in fact a double star - will become an obscure piece of astronomical trivia. Astronomers expect to begin making serious observations later in the summer, after further testing and calibration of the telescope's five scientific instruments.

The project's most enthusiastic supporters predict that the Space Telescope will trigger a scientific revolution to match the one that followed Galileo's pointing the first telescope at the stars about 400 years ago. Or at least one to match Edwin Hubble's discoveries in the 1920s.

Hubble, the American astronomer after whom the Space Telescope is named, used the 100-inch Mount Wilson observatory to show for the first time that the universe is expanding. His work, combined with Einstein's theory of relativity, led quickly to the Big Bang theory: everything started with a cosmic explosion about 15bn years ago.

Last drams

This year's Finance Bill has closed a chapter in the history of Her Majesty's Excise officers and Scotland's whisky distillers.

Clause eight removes the requirement on distillers to provide living accommodation for customs officers - a rule dating back to 1833 and which was introduced mainly to overcome problems of controlling remote distilleries in the Scottish Highlands.

At their peak, "provided" houses were impressive examples of Victorian culture. The "gentlemen of the excise" were often men of high standing in the local community with good pay and education. Some-time gardeners were supplied free of charge by the distillers and domestic help was cheap.

Controls on distilleries were tight. Surveys were carried out several times a day and the results secured with official locks. But relations with the traders were good - often helped by the prospect of a free large "dram" at the end of the day.

By the 1960s, however, Excise officers tended to make selective visits by car. The old harmony has gone.

Hubble's star

Immense relief at NASA and the Space Telescope Science Institute in the US at the marvellous clarity of the first pictures from the Hubble Space Telescope. Despite the computer problems and unexpected vibrations that have shaken the big-sized observatory since its launch on April 25, its images of a star cluster in the southern constellation Carina

The Hubble telescope will enable astronomers to see much deeper into the universe, and therefore further back in time towards the Big Bang, than has been ever been possible before. Not least, brilliant observations from Hubble will do wonders for NASA's public reputation - still tarnished from the Challenger disaster and a miscellany of lesser mishaps.

Bouygues back

France's former concrete king is going into the movie business.

Francis Bouygues, 67, founder and former head of the leading construction group which bears his name, announced his plans yesterday. He has decided to leave the firm to back him in a new film company called CB-2000 (The CB stands for Cinema Bouygues). It will start its first FF40m production next month: a love story titled *La Reine Blanche*, starring the lovely Catherine Deneuve, written and directed by Jean-Loup Hubert and due for release next February. Hubert is famous in France for his drama, *Le Grand Chemin*, a box office hit three or four years ago.

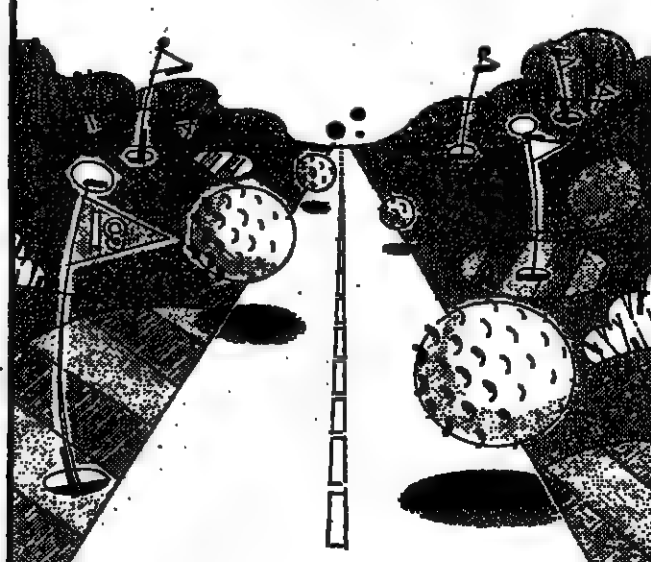
Bouygues says he has always dreamed of going into the film industry, which will be "a great adventure" for him. At the same time, he thinks it has a lot in common with construction.

"You have to choose your subject, the right team, a budget and draw up your plans, in just the same way," he explains.

Recognition

A reader reports that while he and his wife were entertaining his boss to drinks one evening last week his six-year-old son came into the room. "Ah, you must be Michel," said the boss. "And you must be Mr Watkins," said the boy. "I can tell from the imitations Daddy does of you."

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I would like to know more. To: Fred McCannan
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THE WEST LANCs PROJECT

John Barham on doing business under Brazil's radical shock plan

The high cost of bringing inflation to heel

Brazilians are still reeling from President Fernando Collor de Mello's audacious economic shock plan. By freezing 80 per cent of the money supply, raising taxes and public prices, and promoting savage spending cuts, he has signalled that red ink, unemployment and declining output are to be the price of taming inflation. If he succeeds, business will have much to learn to live by new rules.

Most Brazilian and multinational companies are in sound financial health and should have little trouble surviving a recession in 1990. The real challenge is of a wholly different nature: prospering in a low inflation economy and submitting to the disciplines of international competition.

Curiously, companies thrived on inflation. Despite hyperinflation of 1,765 per cent last year, the economy still grew by 4 per cent.

Hyperinflation made prices almost meaningless, and manufacturers could raise prices and broaden their margins almost as they pleased. Operating costs became less and less relevant; instead, astute cash management became a rich source of profits, with interest rates averaging 80 per cent a year in real terms in 1989.

Mr Paulo Ferreira, a director of Dow Química, an affiliate of the US chemical giant, said: "The basic secret of inflation was to constantly anticipate cost increases. You could raise the price you liked down your clients' throats."

However, inflation has made management complacent. An American banker commented: "Companies are a mess. They have been allowed to stay that way because they earned a lot, got fat, by making more money out of inflation than production."

The abrupt drop in inflation to 3.3 per cent in April from 64 per cent in March has caused a collapse in sales and the end of financial speculation have forced companies to take a long, hard look at their operations. Dow's Mr Ferreira said: "In the end, inflation is very destructive. Lower inflation will make markets more stable and make it easier for us to operate, but it will be far

harder to organise our prices."

If Mr Collor's policies are really to work, costs throughout the economy must be cut. But executives complain that reducing costs is just not that easy. Suppliers resist cutting prices because they face little competition, because taxes are high, and because everybody fears inflation may come back.

Mr Renato Carneiro, a director of Dynapak's Brazilian subsidiary, said: "We have negotiated with our suppliers to lower prices, but it is very difficult to get real reductions. We have already cut all we can from our overheads. We have got to the point where there is nothing left to cut."

Capital costs are the real problem. Inefficient state companies and multinational private companies have got away with making machine tools, diesel engines, personal computers and other products at two to three times international prices. Outmoded technology raises production costs and lowers quality.

Flat says a basket of car inputs costs 50 per cent more in Brazil than in Europe. A chemical plant costs up to twice as much in Brazil as, for instance, in the Gulf, according to Dow Chemical.

Mr Silvano Valentim, president of the Fiat group in Brazil, pointed out that "it is not enough for just exporting companies to have international prices, all must have international prices."

Profits are being squeezed hard. An undervalued currency used to make Brazilian products competitive abroad. Now the cruzado is overvalued by about 30 per cent, exporters say, so it is just a matter of time before domestic sales show a profit, but in most sectors they are still too weak to keep companies in the black.

Despite oscillations caused by inflation and changing business conditions, returns on capital are a mixed bag. Brazil's largest companies have gradually dwindled over the years. In 1988, the top 500 companies' average sales margin was 3.7 per cent. Fiat's sales margin is 4.9 per cent, about half the company's average outside Brazil.

Mr Collor is determined to open the economy to imports.



Collor de Mello: deep cuts

He wants to make the oligopolies and cartels fostered by Brazil's 40-year-old import substitution policies lower their prices and allow companies to replace their creaking machinery and regain competitiveness.

Sectors like the capital goods, computer or machine tools industries, which cannot profit without trade barriers, may have to close. The capital goods industry is already operating at just 40 per cent of capacity.

However, Brazilian management has a well-deserved reputation for flair, imagination and lightning reactions. Many companies already have plans to create joint ventures with foreign investors or retool entire production lines with state-of-the-art imports once trade barriers are lifted.

Mr André Ransburg, president of Starmat, a leading apparel company, reckons that a \$2m to \$5m investment in new machinery will raise productivity by a third. That is why Collor is dumping on the companies, so sure they will reduce their exposure, too.

them to succeed. The alternative is unappealing. Mr Carneiro said: "If Collor can cut the bureaucracy and allow imports, then his plan has a good chance of working. If not, it will be hyperinflation, apocalypse."

But businessmen at the same time complain that, far from encouraging free enterprise, the Government is actually hamstringing them in with more and more restrictive regulations. Indeed, one of the great ironies of the Collor administration is that it has undermined business confidence as no other recent government has done.

The private sector as a whole is angered that Brasília can sequester billions of dollars in private financial assets by decree, legislate retroactively, or detain supermarket managers for selling a deodorant a few cents over the official price.

None the less, the risk of punishment, which was once remote, does have the virtue of curbing dubious business practices, which were widespread. Companies are tidying up their books and bankers are treating regulators with greater respect.

Multinational executives have complained for years that their patience with Brazil is running out. Inflation, erratic government policies, and difficulties in remitting profits are losing Brazil desperately needed foreign investments.

The impending recession is already forcing companies either to scale back, postpone or abandon expansion plans altogether. But the Brazilian market is too important to ignore, and no foreign corporation with large investments in Brazil is known to be planning to leave.

At the same time the country is not attracting major new investments. In fact, it has suffered a crippling net outflow of capital, estimated at \$2.6bn in 1989.

A Sao Paulo banker pointed out that "the Government dumped on the foreign banks because of the debt problem, so what did they do? They reduced their exposure. Now Collor is dumping on the companies, so sure they will reduce their exposure, too."

FOREIGN AFFAIRS

Keeping up with the Germans

The new European security order should now move to the top of the agenda, argues Edward Mortimer

Mr Lothar de Malsière won a round of applause in Bonn on Friday when he said, at the signing ceremony of the German monetary union treaty, that Germans should stop referring to each other as "easterners" and "westerners". I suspect, however, that at least in the short term the rapid integration of the two states on the institutional level will have the opposite effect at first.

West Germans that I have talked to in the past few weeks are almost unanimous in expressing irritation that "the GDR people" expect to have handed to them on a plate the standard of living which they in the West have earned for themselves by 40 years' hard work; while on the other side the imminent disappearance of the German Democratic Republic seems to be sharpening its citizens' sense of a shared destiny.

It would have been convenient for strategic planners in Moscow, Washington, London and Paris — and perhaps even in Bonn — if this special East German angst had manifested itself early enough and strongly enough to keep the GDR in being for a transitional period, say four or five years, during which the security structure of the new Europe could have been worked out. But it is no good signing for that now.

The East Germans are going to feel the full force of economic union from July 2. They will be using a currency issued in and controlled by Frankfurt, but it will be subject to essentially the same social and economic legislation as West Germany, and will be dependent on West German support to cope with the social effects. In other words the most important decisions affecting their daily lives will be taken by the institutions of the Federal Republic.

They will surely be in a hurry to complete the process so that at least they have a say in choosing the Federal Parliament and government. They may be in a hurry to take part in the Federal elections due on December 2, even though at present it is Mr Kohl who is urging that and Mr de Malsière who is dragging his feet.

Both Germans will therefore be in a hurry to complete the "Two Plus Four" talks with the four powers by the autumn, and this gives the Soviet Union considerable leverage. The three western powers may be inclined to bring to the table the Soviet Union's membership in the Security and Co-operation in Europe (CSCE), to set reasonable limits on the conventional

armies, in which it should not interfere. But they may also wish to sweeten the pill for Mr Gorbachev's sake, and even if they do not, the Germans will.

How can the pill be sweetened? Robert Maunier in this space last week mentioned some of the different-flavoured coatings now on offer: transitional arrangements for Soviet troops to stay in East Germany, non-modernisation of US short-range and tactical nuclear weapons in Europe, negotiations on reducing the existing weapons in those categories (which one suspects would end up with a zero option, given German as well as Soviet sensitivities on the subject, though that at present is not the US, still less the British, position). But he rightly concluded that these are

ahead so fast that the European process is getting left behind. Western governments are still the prisoners of cold war thinking, in that they assume the first business in hand is correction of the imbalance in conventional forces between the two blocs. Only when an agreement on conventional forces has been negotiated in Vienna and is ready for signature, so runs the current western argument, will it make sense to hold a pan-European summit and start thinking about pan-European security structures.

What that argument fails to notice is that the premise of the Vienna talks has already been swept away. There are no longer two blocs in Europe, and it is completely idiotic for NATO to be negotiating reduc-

The German process has moved so fast that the European process is getting left behind. Western governments are still the prisoners of cold war thinking; they assume the first task is correction of the conventional forces imbalance

tion to the Czechoslovak or Hungarian armed forces to balance its own, as if those two countries were still part of an enemy bloc which no longer exists. The 23-nation structure of the Vienna talks (16 NATO versus seven Warsaw Pact) was useful and relevant when it was agreed two years ago, but it no longer makes sense.

What we need now are 35-nation talks (or 36 if Albania joins), involving all the participants in the Conference in Security and Co-operation in Europe (CSCE), to set reasonable limits on the conventional

forces each of them is allowed to maintain between the Atlantic and the Urals. The key balance that these talks would have to establish (and which would no doubt be the subject of private negotiations among a smaller number of powers) would be the balance between NATO and the Soviet Union as such. The Warsaw Pact is a red herring.

But such limits would have to be part of a broader set of arrangements linking the participants in a common security structure. A kind of regional United Nations, only more democratic, with a permanent secretariat, an assembly representing the elected parliaments of the member states, and a council representing their governments, with powers to call on member states to supply forces for peacekeeping duties, presumably by some kind of weighted voting system.

The common objection to this is that such "collective security" embodied in the League of Nations failed spectacularly between the wars, and indeed that the UN itself has been unable to prevent war in many parts of the world. Only NATO and the nuclear deterrent have kept western Europe in peace and security these last 40 years; and the essence of NATO is that it is a group of like-minded countries committed to come to each other's defence against an aggressor. Indeed so, and the more the new pan-European organisation resembles NATO the more successful it will probably be.

The simplest way to create it, in fact, would be to expand NATO to cover the whole of Europe, including the Soviet Union. Semi-official Soviet spokesmen are now saying, apparently not in jest, that they would welcome such an invitation. Personally, however, I doubt if western confidence in the democratic transformation of the Soviet Union is yet quite sufficient for that. To set up a new structure, while retaining NATO at least provisionally as a separate and tighter substructure, seems to me a more realistic approach. The rules of the new body would have to allow closer alliances among groups of members, provided these were of an explicitly defensive nature.

The details of all this will take a lot of working out, but the time to start negotiating on the principles is now. The creation of a such an institutionalised "peaceful European order" offers by far the best hope of winning not only Soviet consent to a united Germany's membership in NATO, but also the wholehearted support of the Germans themselves.

LETTERS

South Africa: removal or retention of sanctions

From Mr C.R. Peer.

Sir, Neither your editorial comment (The role of sanctions, May 16) nor Mr N.J.E. Mitchell (Letters, May 17) go to the heart of the sanctions issue today.

The central reason why all sanctions against South Africa should be lifted immediately is that they exacerbate the already alarming risk of a violent social and political upheaval in that country.

Major change in the control of political power carries with it the risk of breakdown of law and order even in a homogeneous and inherently stable society. In a country with such a complex ethnic, cultural and linguistic structure as South Africa the danger is immeasurably greater.

The extreme violence which is endemic in African culture has manifested itself in Natal and in this case is largely intercommunal warfare within the

Zulu nation. Such carnage would be forgotten in the appalling consequences of a violent power struggle between the various black nationalities and factions.

The 8m whites are potentially the main stabilising force in the country. They face the greatest change in their 350-year history and are fearful of their future in a society controlled by blacks. They still control most of the political, economic and military power and will fight if necessary to protect their lives and property.

Whilst acknowledging that apartheid has to go, they are contemptuous of the ignorance, hypocrisy and sanctimoniousness which motivates much of the sanctions campaign and will be much more likely to co-operate with rather than resist the changes now under way if Mr de Klerk's Government is given material

recognition for its initiatives.

The most important contribution the outside world could make to the peaceful transition to a new constitution in South Africa, and hence to the well-being of all the peoples of that country, would be to remove sanctions forthwith. C.R. Peer, 41 Gander Hill, Haywards Heath, Sussex

From Mr R. Elliott Kendall.

Sir, You do well (May 16) to point out that in South Africa "there is more to do. The apartheid constitution and the principal apartheid laws are still in place." The time for lifting sanctions is not yet. Majority rule has not yet been conceded and a new South Africa is not yet in sight.

Mr Mitchell, the voice of British business in South Africa, (Letters, May 17) labels those who support your well-reasoned line as "faint-

hearted." Mr Nelson Mandela and his colleagues can hardly be thus described after decades in apparently hopeless incarceration. They firmly call for sanctions to be maintained.

Mr Mitchell despises those who are working for an end to apartheid. Serious, independent students, within and without South Africa (with other than simply commercial interests), know that the fundamental issue is to see South Africa through to a new constitution with far-reaching political change. That is not yet secure. Let sanctions continue until negotiations have reached an unassailable new deal for all the people of South Africa.

They are not calling for an easing of international pressure, as the business world is. Now is not the time to relieve the pressure. R. Elliott Kendall, 68 Vassar Road, Witney, Oxfordshire.

Ecu-bonds should finance German reunification

From Mr E. Maroulakis and Mr A. Reid.

Sir, David Marsh reports (Bonn may issue D-Mark bonds, May 15) that the West German Government is thinking about issuing D-Mark bonds to finance the cost of German reunification. The Government's idea of using a financing mechanism separate from its own budgetary resources is sound enough.

What we question, however, is the presumption that only

D-Mark bonds will do, at the expense of issues denominated in other currencies. We would like to draw attention to the gains to be achieved should the German Unity Fund issue bonds denominated in the European currency unit (Ecu):

● The monetary cost of reunification would be spread, thus reducing widely held fears of German inflation.

● A powerful incentive to further development of the Ecu-bond market would be offered.

● The rebuilding of the East German economy would take place in a European Community-wide framework.

The sharing of the risks and benefits by all member states of the Community is not only warranted in the light of the *acquis communautaire* but it would also assist to dispel the fears of German domination. Emmanuel Maroulakis, Alexander Reid, Coopers & Lybrand Europe, Brussels

Gibraltar tease

From Mr Guy D. Cresset.

On more than one occasion in the past the Financial Times has mispelt Gibraltar as Gibraltair. Now in a review ("Gibraltar Straits, Falkland Sound," May 11) you refer to us twice as Gibraltairians when we are, in fact, Gibraltarians.

Guy D. Cresset, 11 Bonchi Marston B-100, 11-4 Wakaba 1-chome, Shinjuku-ku, Tokyo

Answers needed on the Community's anti-dumping policy

From Mr Brian Hindley.

Sir, Mr Juvet (Letters, May 15) confuses birth with the public record of birth. "Even a layman will appreciate," he says, "that cases which were between one and four years apart cannot be said to be twinned."

How many years does Mr Juvet expect to elapse between the creation through anti-dumping policy of the conditions for the formation of a cartel and action against that cartel by the European Commission?

Mr Juvet provides a remarkable example of the diversionary tactics used by supporters of the status quo in anti-dumping policy. Faced by Professor Messerlin's well-founded criticisms of the current structure

of European Community policy, Mr Juvet says: "If he really considers that Article VI of the General Agreement on Tariffs and Trade (GATT) should be abolished, then he should say so openly and explain why." In the International Trade and Synthetic Fibres Committee, perhaps, one cannot comment that it's raining without being understood to say that there's a flood.

There is a perfectly good justification for Article VI of the GATT. It is that sellers may engage in predatory pricing — charging low prices now so that competition will be driven out and high prices charged in the future.

A problem for those who wish to rely on that justification is that in the great bulk of

actual anti-dumping cases, predatory intent is absolutely inconceivable. An extreme instance is anti-dumping action against imports whose quantity is limited by quota (such as denim cloth from Hong Kong in the EC and synthetic knitted sweaters from Hong Kong in the US). But the same is true in the great majority of anti-dumping cases — to suppose that they involve predatory pricing is absurd.

Mr Juvet has picked the wrong target if he wants to engage in debate about the underlying rationale for anti-dumping policy. Abolition of Article VI of the GATT is not in prospect. A more relevant question is why, when predatory pricing is inconceivable, buyers of goods alleged to be

dumped should through anti-dumping action be taxed to support the profits and incomes of domestic producers of those goods?

Supporters of the status quo in EC anti-dumping policy would do themselves a service if they could devise a convincing answer to that question. That anti-dumping action is good for the profits and incomes of domestic producers may, if those producers have enough political power, be sufficient to keep the policy in place. But they would feel more comfortable, surely, if they had some broader-based justification.

Brian Hindley, London School of Economics, Houghton Street, WC2

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INTERNATIONAL COMPANIES AND FINANCE

TV production company leaps 54%

By Raymond Snoddy in London

CARLTON Communications, the television production, equipment and services company which has seen its shares fall sharply on the London Stock Exchange in recent weeks, yesterday unveiled a 54 per cent increase to pre-tax profits of \$64.9m (\$104m) for the six months to March 30.

This result was a little higher than some analysts were predicting. But the group's shares initially dropped another 30p, largely because of the notes of caution in a statement from Mr Michael Green, chairman. The share price closed yesterday 23p at 451p.

"I am aware that there is greater competition in some of

Carlton's markets and that the general economic climate may affect orders in the short term," said Mr Green.

He added that there had been an overall reduction in pre-tax margins, although the first six months had shown good organic growth and the prospects for the television industry remained encouraging.

The supply of products and services to the television, film and video industries, Mr Green said, "have been, and continue to be, industries with above average growth due to more broadcasting hours, technological change, and the emerging 'sell-through' video market."

Revenues rose by 72 per cent

to \$405m. The interim dividend is being increased by 30 per cent to 9.55p and a final dividend of 9.55p net is forecast. This would bring the total payment for the year to 14.05p net, an increase of 50 per cent.

For the six months, earnings per share changed little at 22.05p (21.85p) because of the issuing of new shares.

Miss Bronwen Maddox, television analyst at Kleinwort Benson, yesterday described the results as "all right," but emphasised that Mr Green's statement was extremely cautious about the future.

"It's a company slowing down," she said. She will be reducing her forecast for the full year from £165m to £155m.

That is in turn a scaling back from the £172m Kleinwort was predicting before December.

Six months ago, Carlton's shares stood at 950p. They hit a low of 450p on April 24 and then came back to 546p by the end of last month.

For the first time, Carlton broke down its turnover and pre-tax profit figures for its main divisions. Pre-tax profits for television, video and sound products increased from \$28.16m to \$40.5m on turnover up from \$119.5m to \$223.

Television and film services' profits rose from \$9.2m to \$13.5m on turnover up from \$82.2m to \$95m, while profits of associated companies declined.

Lex, Page 20

Ambitious Amber Day set to buy stores group

By John Thornhill in London

AMBER DAY, the ambitious fashion retailing group which owns the Woodhouse and Review menswear chains, is offering £46.7m (£78.9m) for What Everyone Wants, the notoriously named Scottish clothing stores group.

The proposed acquisition will represent a significant expansion of Amber Day's activities as the company currently has a market value of £23.5m and turns over only one third of Wew's sales.

Wew's stores, based mainly in Scotland and the north of England, trade under the names What Everyone Wants and What Shoppers. About 80 per cent of the sales comes from clothing but the stores also sell fashion accessories, jewellery, toys and other consumer goods.

The company, based in Glasgow, was founded by Mr Gerold Weisfeld in 1971. He and his wife, Vera, built the company up into a chain of 37 stores with 542,000 sq ft of selling space and 1,500 employees. Wew is wholly owned by the Weisfelds and their family trusts.

The Weisfelds will continue to run Wew but will also become directors of Amber Day and own 15.1 per cent of the enlarged group. The £46.7m consideration will be met by a mixture of cash, loan stock and shares. Amber Day is to raise £12.5m through a five-for-eight rights issue at 45p per share to fund part of the cost of the acquisition.

The issue has been fully underwritten by Samuel Montagu. Mr Philip Green, chairman, said: "Even in today's conditions in the retail market you can get support for the right deal."

Amber Day's shares were suspended on the London Stock Exchange last week at 45p pending this announcement, however, the enlarged group's net liabilities will amount to £3.1m but Amber Day is confident the deal will enhance earnings.

In the 51 weeks to January 20, Wew made pre-tax profits of £6.4m on sales of £76m.

Lex, page 20

Warburg's B&C rescue attracts creditors' fire

By David Owen in London

THE British & Commonwealth rescue plan drawn up by S.G. Warburg, the merchant bank, came under fire yesterday from interested parties including a bank with significant amounts on loan to the stricken financial services group.

There is a belief that the organisation, sold off over a reasonable time, is worth more than its debts, a bank representative said. "Warburg have overplayed their hand."

The company created this mess, said a representative of an investment group with a holding of B&C's 74 per cent convertible unsecured loan stock 2000 (CULS). "It is not very inspiring to think they are going to clear it up."

The plan reportedly envisages the orderly disposal of all but a small rump of B&C's businesses, raising £285m (£185m) by the end of next year. This would be reduced to £248m under forced sale conditions, the plan suggests.

An orderly liquidation would

yield £230m for Euro International, the money broker, £28m for Oppenheimer Management Corporation, the US mutual fund manager, £160m for B&C Merchant Bank and Stock Group and £155m for Abaco Investments, the professional services unit, the plan says.

Though B&C refused yesterday to vouch for the accuracy of the weekend reports, spokesmen for three organisations familiar with the Warburg proposals said the reports were substantially correct.

Lenders, including the banks, other senior creditors and second-tier CULS holders mullied over the plan. Senior creditors face a 25 per cent write down of the more than £700m owed to them, with the balance converted to newly-issued preference shares and ordinary shares. Barclays Bank, which is leading a group of 10 leading bank creditors, said on Sunday no decision on the plan had been reached, but said banks were keen to

avoid a forced liquidation.

Meanwhile, more holders of the £220.5m worth of B&C CULS, who face a 70 per cent write-down of their investment into ordinary shares under the Warburg plan, have written to Royal Exchange Trust, newly appointed attorney for the issue, to demand repayment.

To date, holders of more than £11m of the stock have confirmed to the Financial Times that they have taken this action. Should this figure reach £54.1m or 30 per cent, B&C would be asked to repay the entire issue at par or face the prospect of being put into liquidation.

Significant CULS holders include National Coal Board Pension Fund Nominees with £7.8m, Nibon Tansil of Tokyo with £4.4m, Bussiko APS of Denmark with £2.4m and Messrs Richard Jeune, Keith Baker and Ian James of Jersey-based Mount & Co with £2.2m, according to lists obtained from the registrar.

Baer lifts payout and offers bonus

By William Dullforce in Geneva

BAER HOLDING, the Swiss banking and investment group, is increasing its dividend and making a bonus issue of participation certificates after posting a 21 per cent rise in net earnings to Sfr34.1m (\$24.4m) for the year ended March 1990.

The dividend is to go up from Sfr190 to Sfr210 per bearer share, from Sfr38 to Sfr43 per registered share and from Sfr7.60 to Sfr8.48 per participation certificate.

To celebrate the anniversary of Bank Julius Baer, it also plans a bonus participation certificate for each holding of five bearer shares, or for each 25 registered shares, or 125 participation certificates.

To streamline the capital structure, the board has decided to convert the participation certificates into shares "in the not too distant future."

In January Bank Julius Baer reported a 21 per cent jump in 1989 net earnings to Sfr44.7m, while consolidated net earnings of Baer Group rose by 23 per cent to Sfr60m.

Georg Fischer, the Swiss industrial group, has acquired a 51 per cent stake in Fittings Traisen, which produces tube fittings and is a subsidiary of Austria's state industrial group Voest-Alpine.

Dassaults win back stake in BPI

By George Graham in Paris

THE DASSAULTS, a legend in France's aviation history and in its financial world, are to get their own bank again, after buying a 40 per cent stake in Banque Parisienne Internationale (BPI).

The family will acquire a 25 per cent stake from Paribas, the investment banking group. Paribas took 71 per cent control of BPI last year to restore the troubled bank, hit like many other banks focused on the Middle East, by the decline in their main market. The family will buy another 10 per cent from Sofical, holding company of Mr Vincent Bolloré, and 5 per cent from Euris, the investment group headed by Mr Jean-Charles Naouri.

Paribas will remain the largest

shareholder, with 46 per cent, but Mr Laurent Dassault, grandson of Mr Marcel Dassault, the aviation pioneer, and son of Mr Serge Dassault, current chairman of the partially nationalised aircraft company, will become managing director under the chairmanship of Mr Alain de Wulf.

The Dassaults have traditionally had a finger in the financial pie through the Banque Commerciale de Paris, which merged with the Vernet family bank only to be nationalised in 1961. They then joined Mr Jean-Marie Vernet in the purchase of Banque du Marais, where Mr Laurent Dassault has until now been a director.

BPI had to be overhauled last year, making operating

provisions of FF740m (\$135m) at the end of 1988. It now has capital of FF100m and total assets of around FF1bn.

Canal Plus, the French pay television company, has agreed to take a 5 per cent stake in Caroleo Pictures, the Hollywood independent film studio, for \$30m.

The French group, which operates a successful coded films channel in France and has satellite and cable interests in West Germany, Belgium and Spain, said it would acquire a new series of Caroleo preferred stock. It will also receive a warrant to buy 150,000 ordinary shares at \$18.50 each.

The deal will give Caroleo access to Canal Plus's European distribution outlets.

Bouygues sees slowing turnover

By William Dawkins in Paris

BOUYGUES, Europe's largest construction group, yesterday forecast that turnover growth would slow fractionally this year due to flat demand for house and road building in France, but that other activities would continue to expand at normal rates.

Mr Martin Bouygues, group chairman, said turnover was expected to rise by 14 per cent to FF33.5m (\$9.6m) in the current year. "The prospects for 1990 are favourable," he said.

Last year's sales rose by 16.5 per cent to FF47.7m in 1989. Group net profits increased from FF151m to FF178m in the same period and would improve again in 1990, he said.

Bouygues declined to give a precise profits estimate for 1990. However, it predicted that earnings from civil engineering, accounting for nearly 30 per cent of turnover, would rise, while profits from road building - 38.7 per cent of turnover - would stagnate.

Profits from the property division would increase, as would earnings from non-construction activities including TF-1, France's leading private television channel in which Bouygues has a 25 per cent stake.

Turnover from Bouygues' diversification activities is expected to rise by 63 per cent from FF16.3m to FF110.3m this year.

At this level they would constitute a record 19.3 per cent of group sales.

Villeroy & Boch in big flotation

By Andrew Fisher in Frankfurt

VILLEROY & BOCH, the West German tableware, tile and sanitaryware company, is coming to the stock market next month with a preference share issue that is expected to raise around DM400m (\$240m), the company said.

The company will make its largest flotation in Germany so far this year.

The company employs 12,500 people at plants in France, West Germany and Luxembourg. Last year it achieved a turnover of DM1.45bn, a rise of nearly 10 per cent, with net income totalling roughly

DM43.5m against DM36m in 1988. The voting shares and existing preference shares are owned by 145 shareholders from the founding families.

Villeroy & Boch, based in the Saar region which borders on France and Luxembourg, is aiming for a turnover in 1995 of around DM2.5bn, allowing for likely acquisitions. Of this, some DM900m is expected to come from tiles, its biggest division with a turnover last year of DM620m. Sanitaryware and tableware, which contributed DM400m and DM430m

respectively to 1988 sales, should account for some DM800m each of the projected mid-1990s turnover.

The issue, the largest since the DM775m share offering in 1983, will comprise 700,000 non-voting preference shares, with the issue price expected to be around DM600. Leading the issuing consortium will be Deutsche Bank, joined by other German, French and Swiss banks. The issue is expected to attract a wide spread of foreign shareholders.

Norway to partly privatise steel group

By Karen Fosell in Oslo

NORWAY is partly to privatise Norsk Jern Holding (NJH), the holding company for a set of iron and steel companies, in which the state will retain a 20 per cent stake until suitable buyers can be found.

While the Norwegian light metals group, has agreed to

buy a 45 per cent stake in NJH for Nkr270m (\$42m), and an unnamed private group of Norwegians is to buy 35 per cent.

The announcement marks the start of a restructuring of the Norwegian steel industry. It calls for the establishment of a Scandinavia-based pro-

ducer of long steel products. NJH, with 3,700 employees, has a history of financial problems, although it made profits of Nkr1.45bn in 1989.

Political sensitivity over privatising state companies has forced Norway's Government to look only to home investors.

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AMER GROUP LTD

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Amer Group Ltd will be held at Congress Hall C-1 in Helsinki Fair Centre, address: Rantatie 3, Helsinki, 00520 Helsinki (entrance from the main entrance of the conference wing) on Thursday 14th June 1990 at 2 p.m.

The meeting will deal with matters complying with article 15 of the Articles of Association.

According to the Articles of Association, any shareholder wishing to attend the Annual General Meeting should inform the company's Head Office by telephoning +358-0-757 7261 or by letter to Amer Group Ltd, P.O. Box 130, 00601 Helsinki, Finland, not later than 11th June 1990. A shareholder who has not been entered in the share register must provide evidence of his title to his share.

The dividend proposed by the Board of Directors shall be payable, subject to the approval by the Annual General Meeting, at any office of Kansallis-Osake-Pankki in Finland from 15th June 1990.

Copies of the documents concerning the closing of accounts are open for inspection by the shareholders from 6th June 1990 at the Group's Head Office in Helsinki. Upon request, the company will also send copies of the said documents to the shareholders.

Helsinki 22nd May 1990

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U.S. \$100,000,000

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Credit Suisse First Boston Limited
Agent Bank

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U.S. \$350,000,000

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Notice is hereby given that the Rate of Interest has been fixed at 8.5625% p.a. and that the interest payable on the relevant interest Payment Date August 22, 1990 against Coupon No. 16 in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$18.82 and in respect of U.S. \$250,000 nominal of the Notes will be U.S. \$470.49.

May 22, 1990 London
By: Citibank, N.A. (CSCI Dept.), Agent Bank

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\$10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.

London, Agent Bank

May 22, 1990

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U.S. \$100,000,000



Allied Irish Banks plc

Undated Floating Rate Notes

Subordinated as to payment of principal

and interest

Interest Rate	8 3/4% per annum
Interest Period	22nd May 1990 23rd November 1990
Interest Amount per U.S. \$10,000 Note due 23rd November 1990	U.S. \$452.86

Credit Suisse First Boston Limited
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Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from May 22, 1990 to August 22, 1990 the Notes will carry an Interest Rate of 8.6875% p.a. and the Coupon Amount per U.S. \$10,000 will be U.S. \$222.01.

May 22, 1990 London
By: Citibank, N.A. (CSCI Dept.), Agent Bank

CITIBANK

INTERNATIONAL COMPANIES AND FINANCE

US and Japan companies in life assurance deal

By Stefan Wagstyl in Tokyo

ORIENT Corporation, one of Japan's largest consumer finance companies, is planning to enter the life assurance market through a joint venture with a combined insurance company of America, a medium-sized US insurer.

The move highlights the growing self-confidence of Japan's non-bank financial companies, which have expanded rapidly in the past decade.

The announcement coincides with US-Japan financial talks in Tokyo this week. US complaints about a lack of access to Japanese financial markets are a key item on the agenda.

Orient hopes to win approval for its proposals from the Japanese Ministry of Finance soon. The ministry is keen to increase competition in the Japanese life insurance industry. The Insurance Council, an advisory body, recently submitted a report recommending more freedom of entry into the industry. There are only 24 life companies in Japan, 20 of which date back to before the Second World War.

Combined Insurance, a subsidiary of Aon Corporation, a financial services group, is the 31st largest insurer in the US. It has had a branch in Japan since 1982, but has grown only slowly. Its assets in Japan total \$4.7bn (\$30.8m).

Orient is the top profit-maker among Japan's consumer credit companies. In the

year to March it achieved record pre-tax profits of ¥83.5bn as total lending rose 26.7 per cent to ¥5.28bn.

Orient's links with Combined date back to 1988 when the companies co-operated in selling medical insurance to Orient's loan clients. Each will have a 50 per cent share in the life assurance joint venture, which will be capitalised at ¥10bn.

The giant Japanese life companies which dominate the market sell their products through branch offices and teams of part-time door-to-door salesmen.

Orient intends to rely heavily on using its clients as agents - the real estate brokers, car sales groups, resort operators and other companies which use its consumer credit services. Orient believes it can compensate for being a late-comer in life insurance by using this ready-made network.

The last Japanese company to enter the life insurance market was Seibu Department Stores, the retail group, in a

venture with Allstate Insurance of the US in 1979. Before that, Sony, the electronics group, established a venture with Prudential Life Insurance Company, also of the US.

Although profitable, neither has made much impression on the dominance of the traditional Japanese life groups.

Monsanto confident in spite of downturn

By Peter Marsh

MONSANTO, the US's fourth biggest chemicals business, is predicting record profits for 1990. This is bucking the trend in the world chemical industry, which is in a downturn and is being guarded about prospects for the next few years.

Less than half way into a year that has started badly for many chemicals groups, Mr Francis Strohle, Monsanto's chief financial officer, said he was confident the company would show increased earnings for 1990.

Last year the company recorded net income of \$679m on sales of \$8.88bn, after record earnings in 1988. Monsanto suffered a 13 per cent fall in first-quarter profit for 1989, but says this was largely due to seasonal factors affecting agricultural sales.

Mr Strohle said his forecast followed the radical changes the company has made since the early 1980s. Over this period, Monsanto has virtually dropped out of commodity chemicals such as bulk plastics and other low-value industrial materials.

It has concentrated instead on products deemed to have higher long-term growth, such as agricultural chemicals, drugs and high-value plastics.

"We have made a major restructuring aimed at the long term, at a time when many other companies are looking only a few years ahead," said Mr Strohle.

Industry analysts are undecided about Monsanto's approach. Mr A. V. Natch, a chemicals analyst at Goldman Sachs, a New York bank, said Monsanto had a "decent chance" of beating last year's profit figure.

Mr Anantha Ramani, who runs an independent financial consulting company in New Jersey, is less certain. He said: "If Monsanto demonstrates an increased performance (in 1990), it will be marginal. The company has a lot of new product ideas, but the jury is still out as to how well it will do in the longer term."

As part of the changes, Monsanto is spending more than \$600m on research and development in 1990. Much of this is linked to biotechnology and is aimed at new drugs and agricultural chemicals.

In the rest of the chemicals industry, growth in demand and prices for many types of commodity materials have slumped.

K mart up slightly on improved sales

By Karen Zagor in New York

K MART, the second largest US retailing group, yesterday reported a modest increase in first-quarter earnings on strong sales.

Net income for the three months ended May 2 grew 6.4 per cent to \$100.1m or 50 cents a share from \$94.1m or 47 cents a year earlier.

Sales in the latest quarter rose sharply, by 16.1 per cent to \$7.04bn from \$6.07bn the previous year.

The Troy, Michigan-based company said gross margins as a per cent of sales fell to 26 per cent in the latest quarter from 27.5 per cent a year earlier.

The company attributed the decline to the shift to lower pricing for goods throughout the year, rather than holding sales and the acquisition of the low-margin PACE Membership Warehouse operations.

Net interest expense on debt soared 70.2 per cent to \$58.5m

in the latest quarter from \$33.2m a year ago, mainly because of higher inventory levels from the acquisition of PACE, which led to greater short-term borrowings.

K mart's chairman and chief executive said: "We are encouraged by the improvement in sales in the first quarter."

He said the company expected "an improving trend in sales and earnings" in the remainder of 1990.

According to Mr Antonini, K mart's inventory position has improved significantly since the end of 1989, and the company expected a further reduction in stock level over the next few months.

Barlow Rand hit by S African slowdown

By Philip Gawth in Johannesburg

BARLOW RAND, South Africa's largest industrial group, suffered an 8.2 per cent decline in pre-tax profit to \$1.1bn (\$417m) in the six months to March because of a slowdown in the local economy and difficult conditions in the world stainless steel market.

Turnover was 11.4 per cent up at \$13.88bn, but the group's operating margin was reduced from 10.4 to 8.5 per cent.

The brunt of the setback was felt by the ferro-alloys and stainless steel division. They suffered a 46 per cent fall in earnings due to lower commodity prices and a softening of demand for exports such as coal, chrome and stainless steel.

Of the four main divisions, only food and pharmaceuticals

increased the contribution to group after-tax profit, and then by only 2 per cent. Mining and mineral beneficiation fell 13 per cent, industry 9 per cent, and packaging and textiles 8 per cent.

Mr Warren Clewlow, chief executive - who is also chairman of the State President's Economic Advisory Council - is sanguine about the difficult trading conditions expected to continue into the next financial year. He argues that it is a result of policies which offer the country better economic fundamentals.

Mr Clewlow says he is "quite pleased" with the results. Earnings per share were 9.3 per cent down at \$18.4 cents, but the dividend was maintained at 51 cents per share.

Stelco to join Mitsubishi in steel mill development

By Bernard Simon in Toronto

STELCO, Canada's second biggest steelmaker, intends to gain a bigger role of equity from Japanese car and parts makers in North America through a partnership in a \$200m (US\$171m) flat-rolled, galvanizing facility with Mitsubishi Corporation.

Stelco will hold a 60 per cent equity stake and Mitsubishi a 40 per cent interest in the project.

The facility will be the first processing line in Canada capable of supplying 72-inch wide galvanised and continuously annealed steel. It will be located at Stelco's main Millton works in Hamilton, west of Toronto.

About 35 to 40 per cent of

Stelco's output is already earmarked for the automotive industry, but the company is keen to expand its business with Japanese and South Korean car makers, in particular the four assembly lines which have opened in Canada in the past few years.

These plants buy the bulk of their exterior steel requirements from US and Japanese suppliers.

Stirlingham Steel, the US group, has indefinitely suspended steel melting operations at its Norfolk, Virginia, facility, and will take a charge of about \$6.9m or 57 cents per share against results for its fourth quarter ending June 30, Besser reports.

Hees International lifts earnings 26%

By Robert Gibbons in Montreal

HEES International Bancorp, a key merchant banking and financial services group in the Peter and Edward Bronfman empire, lifted first-quarter earnings by 26 per cent, but a \$300m (US\$250m) equity injection held per-share profit to a gain of 6 per cent fully diluted.

First-quarter earnings went ahead to \$38.5m or 66 cents a share fully diluted, from \$30.4m or 53 cents a year earlier on revenues of \$318.5m, up 27 per cent.

Central Guaranty Trustco, a big Toronto-based financial services group controlled by Central Capital Corp, earned \$15.1m or 32 cents a share in the first quarter, down nearly

one-third from \$18.5m or 31 cents a year earlier.

Gross revenues rose 12 per cent to \$345m and total assets under administration 13 per cent to \$427.7bn. Provision against loan and securities losses were up \$210.3m.

Central Capital, which owns 90 per cent of the trust company and is controlled by Montreal financier Mr Leonard Ellen, saw first-quarter profit fall to \$11.1m or 10 cents a share, down from \$28.2m or 34 cents a year earlier. Revenues rose 23 per cent to \$363.1m.

Central Capital has been restructuring some of its assets after aggressive expansion.

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place on May 30, 1990, at the registered office of the Company, 6 John B. Constantweg, Caracas, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

1. Report by Board of Supervisory Directors on the course of business of the corporation and on the administration conducted during the fiscal year ended November 30, 1989.
2. Discharge and subsequent re-election of the Board of Supervisory Directors.
3. Waiver of the requirements of the Articles of Incorporation regarding the period within which the Annual General Meeting of Shareholders is to be held and to consider this meeting as the only held Annual General Meeting of Shareholders concerning the fiscal year ended November 30, 1989.
4. Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1989.
5. Further appropriation of the Net Asset of the period November 30, 1988 through November 30, 1989.
6. Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1989 and as presented in the report of the accounting firm of Ernst & Young dated March 23, 1990.
7. Discharge and subsequent re-election of the Board of Managing Directors.
8. Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvonnante Corporation N.V., authorizing Yvonnante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvonnante Corporation N.V. 6 John B. Constantweg, Caracas, Netherlands Antilles, received as such meeting. Shareholders have the opportunity to instruct Yvonnante Corporation N.V. as to the voting of their shares by writing to Yvonnante Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.
by: Pearson Trust (Caracas) N.V.
Managing Director.



PETROFINA

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Dividend Notice

At the Ordinary General Meeting of May 11, 1990, the Shareholders decided to pay a dividend of BF 418 net of withholding tax to the 21,535,445 shares outstanding on December 31, 1989 coupons No 5 and following attached, and of BF 444 net of withholding tax to the 125,000 AFV-shares, coupons No 5 and following attached.

The dividend will be payable on or after May 22, 1990 against surrender of coupon No 5 at the offices of the following paying agents:

Banque Paribas Belgique Kredietbank Banque Bruxelles Lambert Générale de Banque
Banque Nationale de Paris Crédit du Nord
Banque Internationale à Luxembourg Banque Générale du Luxembourg
Algemeene Bank Nederland Amsterdam-Rotterdam Bank
Commerzbank Deutsche Bank Dresdner Bank
Crédit Suisse Swiss Bank Corporation Union Bank of Switzerland
Crédito Italiano Banque Belge Ltd.
as well as at the Company's registered office.

Venezuela to invest \$2bn in oil projects

By Joe Mann in Caracas

Maraven, a subsidiary of Venezuela's national oil company (PDVSA), is to invest nearly US\$2bn in oil refining and petrochemical projects in Venezuela.

Mr Carlos Castillo, the president of Maraven, said his company would spend \$1.2bn improving its Cardon refinery in western Venezuela. It also will develop a series of petrochemical projects costing \$800m. These will be located in an industrial park next to the refinery.

The new petrochemical plants, most of which are to be joint ventures, will use Cardon's refining runs to extract a variety of specialised products for the domestic market and for export.

Mr Castillo said his company was evaluating several offers for technology and investment from international companies. A Pechiney of France is to provide technology for a new aluminium smelter to be built in Venezuela's heavy industry centre at Ciudad Guayana.

The smelter, Alisa, is being designed to produce 215,000 tonnes a year of primary aluminium for export.

Partners in the venture are a group of Venezuelan private investors, who will hold around 73 per cent of equity, and the Venezuelan Government's CVG Industrial group, which will have 25 per cent.

Smith Corona, the US maker of typewriters which is 48 per cent owned by Hanson of the UK, has appointed Mr William Henderson as president and chief operating officer.

Mr Henderson, 43, has spent nine years at Hanson Industries, Hanson's US arm, as an executive officer and group vice president. He will take over the presidency from Mr Lee Thompson.

These Bonds having been sold,
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Shearson Lehman Hutton International

Swiss Bank Corporation

UBS Phillips & Drew Securities Limited

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S.G. Warburg Securities

NEW ISSUE

MAY 1990



GENERALE

1989 dividends

The Annual General Meeting which has taken place today has decided to pay out the following dividends, net of withholding tax, as from 22 May 1990 (as from 28 May in France):

- BEF 04 on the 38,302,036 fully paid up ordinary "part de réserve" shares;
- BEF 60.455 on the 18,000,000 partially paid up ordinary "part de réserve" shares;
- BEF 100.80 on the 7,757,553 AFV "part de réserve" shares.

Dividends on bearer shares will be payable at branches of the following banks against remittance of coupon n° 31.

Generale Bank - London Branch
4, Bishopsgate, London, UK EC2N 4AN

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initiated this transaction

and acted as financial advisor to

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April 1990

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INTERNATIONAL COMPANIES AND FINANCE

Deriding the conspiracy theory

Takeshi Nagano of Mitsubishi Metal talks to Robert Thomson

With a wave of the hand and a hearty laugh, Mr Takeshi Nagano, president of Mitsubishi Metal, dismisses concerns about Japan's reputedly conspiratorial *keiretsu*, the powerful corporate families cited by the US as a "structural impediment" to trade.

Mr Nagano has just presided over an agreement to merge his company and Mitsubishi Mining & Cement to create Mitsubishi Metal & Cement, which will have annual sales of ¥900bn (\$6bn) and — in the eyes of some Japanese — is set to become a symbol of the re-emergence of the industrial combines which dominated the country until after the Second World War.

Far from a backroom plot to dominate international industry, Mr Nagano portrays the merger as a simple decision taken over a humble meal in a Tokyo seafood restaurant with an old friend, Mr Masaya Fujimura, the Mitsubishi Mining president. And he says the other members of the Mitsubishi corporate family were not told until the day before the announcement last month.

"I did not even tell my wife about the merger. Firstly, I did not think it would be important news, and because insider trading is a big issue, I have to be careful because my wife likes to buy stock. I also did not tell my son, who is a journalist," he said.

Mr Nagano claims to be surprised by the space devoted to the deal in the Japanese press, although a comment he made about the deal marking "the end of the post-war era" focused attention on the role of the *keiretsu*. He suggests that outsiders tend to misunderstand *keiretsu*, and emphasises that there is nothing sinister about the way they do business.

He tells of having driven with Mr Fujimura around the Marunouchi business district of Tokyo, firstly calling on the presidents of Mitsubishi Corporation and Mitsubishi Bank ("I can't remember which one I saw first"), and then the heads of other companies at the core of the group, telling them of the already agreed merger plans.

Between the seafood dinner and the tour of Mitsubishi boardrooms, the corporate family had held a *keiretsu* monthly meeting, but Mr Nagano insists that the deal was not discussed. US trade officials have demanded that Japan's *keiretsu* make public the minutes of these monthly meetings, although Mr Nagano suggests that the conversations would make uninteresting reading.

"I have just come from one of these meetings. We had a lunch of mixed sandwiches, a piece of melon, and coffee. We talked about the use of the Mitsubishi name by members of the group. That was all."

"The fact is that we hold a very small amount of stock in

others. Mitsubishi Metal and Mitsubishi Mining & Cement were split after the war, when US occupation forces were dismantling the *zaibatsu*, the giant industrial combines among which Mitsubishi ranked behind only *Mitsui*. The former *zaibatsu* members have gradually rejoined the fold, with a merger of Mitsubishi companies in 1954 and the reorganisation of Mitsubishi Heavy Industries in 1964.

Mr Nagano, aged 67, has always been a Mitsubishi man. The company sent him to study extractive metallurgy at Columbia University for three years from 1953 and he laments that his school of mines is now struggling to find students. He

that, even in Japan, young engineers are turning away from their natural trades to take more comfortable jobs in insurance and the securities industry.

One motive for the merger is to make the two Mitsubishi companies more attractive to young Japanese, who, because of a growing shortage of labour, now have an average of almost three job offers each after graduation.

Another important motive was the sense of loss felt by the Mitsubishi traditionalists by the prolonged separation of the two companies. Mr Nagano explained that past Mitsubishi Metal presidents had wanted to reunite the companies, but the time was felt to be right for a more formal move at the end of March, when Mitsubishi Mining's last coal mine was closed in northern Japan.

This was a serious problem which was solved very well. It involved the jobs of 1,000 people, and we wanted the shutdowns to go as smoothly as possible. We knew that when this was complete, we would talk about the merger, and the problem of the stock ratio."

That problem was settled in a few minutes of conversation in the seafood restaurant with Mr Fujimura. It was agreed that nine shares of Mitsubishi Metal shares would be allocated for 10 Mitsubishi Mining & Cement shares and that, dependent on a shareholders' meeting in June, the merger would proceed in December.

While Mitsubishi is one of the better known Japanese company names abroad, Mr Nagano said that the "Mitsubishi" alone is not enough, and both companies thought it in their best interest to be bigger. "Big is beautiful," he joked.

The companies have worked together on projects, and both have diversified far from core businesses in recent years. They share a research facility and routinely exchange staff.

Mr Nagano will become chairman of the new company, and presumes that he will have three years at the top.

"I am not drinking or smoking now as I have a heavy responsibility. After my retirement I will enjoy smoking and drinking and playing golf."



Takeshi Nagano: 'no business conspiracy in Japan'

each other. We don't have any obligations to each other. There is no contract. If someone wanted to take over a Mitsubishi company, then we would help. A *keiretsu* is a good thing."

The individual cross-holdings may be small, but the possibility of one of the 29 core companies being taken over is remote. Mitsubishi Metal, the country's largest smelter of non-ferrous metals, is 6.9 per cent owned by Mitsubishi Trust & Banking, 5.5 per cent by Dai-ichi Kangyo Bank, and 3 per cent owned by Mitsubishi Bank, among

is troubled that engineering has become an undesirable occupation, and dislikes unbridled merger and acquisition activity, which he holds partly responsible for industrial decline in the US.

"It is terrible that solid companies are being taken over in the US. If these people want to run the company, then there is nothing wrong with these acquisitions, but they are often just interested in selling things. It affects the health of industry. It is miserable."

He equated "people forgetting how to make things" with "the tragedy of a canary forgetting how to sing," and said

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MEMBER OF BSA

Strong growth for Japanese bearings makers

By Martina Gannon in Tokyo

SUPPORTED by the thriving domestic car sales market, Japan's two foremost bearings makers have recorded profit gains and predict further advances as the automotive boom continues and sales of machinery parts flourish.

Nippon Seiko, the largest maker, was up 28.5 per cent to ¥21.9bn (\$143.2m) pre-tax in the year to March. The comparison was made by extrapolating the previous accounting period of 11 months to May 1989.

Sales rose 14.4 per cent to ¥244.2bn on the same basis. NTN, which vies with Nippon Seiko for the industry lead, also showed a pre-tax profit rise in its six-month accounting period to March. It was up 3 per cent to ¥9.5bn over the previous half-year to September. Sales were flat at ¥141.6bn as it worked to increase bearing production and improve profitability of exports.

Both groups foresee further pre-tax profit increases in 1990-91 — NTN to ¥21bn for the year and Nippon Seiko to ¥28bn.

Australian airline offers free travel

COMPASS HOLDINGS, which aims to become Australia's third main domestic airline, is offering shareholders free travel on top of dividends as it prepares for an equity raising and stock-market listing. Reuter reports from Sydney.

The airline is seeking A\$50m (US\$37m) in equity capital for development funds by an issue of 100m shares, according to Mr Bryan Gray, Compass chief executive. It is offering shareholders an annual travel credit equal to 10 per cent of the shares' 50 cent par value.

Compass has arranged to operate five new A300-600 Airbus aircraft between seven airports around Australia. It intends to have its first aircraft in the air in November. Australia's two-airline agreement ends on October 31.

The company forecasts net profit in the year to June 1991 of A\$18.8m rising to A\$50.6m by 1995. Its prospectus forecasts dividends of 10 cents a share in 1991, rising to 57.1 cents in 1995. The shares are to be issued next month.

Mr Gray said Compass would offer fares between 50 and 80 per cent lower than Ansett and Australian Airlines, and aimed to capture between 12.5 and 15 per cent of the domestic aviation market.

Pre-tax profits at Ebara rise by 24.7%

By Martina Gannon

PRE-TAX profits of Ebara, Japan's largest industrial pump manufacturer, rose 24.7 per cent to ¥9.1bn (\$68m) in the year to March.

The company, which last month bought a 20 per cent stake in Galileo Vacuum, an Italian vacuum equipment maker, has seen robust sales of all its products as the expansion of the domestic economy continued.

Sales were up 8.9 per cent to ¥185.7bn. Hydraulics and pneumatic machinery sales were particularly good, followed by sales of refrigerating machines, the company said. Net income totalled ¥1.2bn, compared to the ¥1.33bn of 1988.

The group plans further plant reorganisation in 1991. It predicts pre-tax profits of ¥16.5bn and sales of ¥216bn.

BHP share deal case dropped

THE TRADE Practices Commission, Australia's monopolies regulator, has set aside a dispute with Broken Hill Proprietary (BHP) over its participation in a consortium which bought New Zealand Steel. Reuter reports from Melbourne.

It has dropped its court case over BHP's purchase of 31 per cent. The Helms consortium last year paid NZ\$323m (US\$155.1m) for the steelmaker. The commission was worried about potentially reduced competition in some Australian markets.

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Notice is hereby given that the Rate of Interest for the Initial Interest period has been fixed at 8.875% per annum and that the interest payable on the relevant Interest Payment Date August 22, 1990 against Coupon No. 20 in respect of US\$10,000 nominal of the Notes will be US\$222.01 and in respect of US\$250,000 nominal of the notes will be US\$555.50.36.

May 22, 1990, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

AEGON
Insurance Group

AEGON N.V., registered offices at The Hague, The Netherlands

At the Annual General Meeting of Shareholders held on May 17, 1990, the dividend for the 1989 fiscal year was fixed at Dfl. 1.90 in cash per Ordinary Share of Dfl. 5.00 nominal value — already made payable as interim dividend — and a final dividend that amounts to Dfl. 3.85 per Ordinary Share.

The final dividend may at the option of the shareholder be taken entirely in cash or Dfl. 1.20 in cash and nominal Dfl. 0.12 in new shares, chargeable to the tax free paid-in surplus or if so required out of 1989 net income.

Except for holders of New York shares, the final dividend will be payable from May 31, 1990 at the head offices of:

Amsterdam-Rotterdam Bank N.V.,
Algemene Bank Nederland N.V.,
Coöperatieve Centrale Raiffeisen-
Boerenleenbank B.A., Nederlandse
Middenstandsbank N.V., Plesner,
Heldring & Plesner N.V., Bank Mess
& Hope N.V., Kredietbank N.V.,
Brussels, Kredietbank S.A.,
Luxembourgeoise, Luxembourg,
Schweizerische Kreditanstalt,
Schweizerische Bankgesellschaft,
Zürich, Basel and Geneva,
Deutsche Bank Aktiengesellschaft,
Düsseldorf, J. Henry Schroder
Wagg & Co. Ltd., London.

For shareholders wishing the dividend totally in cash, dividend coupon no. 24 will pay Dfl. 1.20, no. 25 will pay Dfl. 2.21 and no. 26 will

pay Dfl. 0.44 after deduction of 25% dividend tax.

Shareholders of Ordinary Shares who opt for payment in shares will receive one new Ordinary Share of Dfl. 5.00 upon surrender of dividend coupon nos. 25 or 26 from 50 or from 250 Ordinary Shares, respectively, which new shares will participate fully in the results for 1990 and subsequent years. Dividend coupons nos. 25 and 26 rank pari passu.

After June 29, 1990, the final dividend is only payable in cash. Coupons should be surrendered to N.V. Nederlandse Administratie-on Trustsmaatschappij, N.Z., Voorburgwal 325-328, 1012 RW Amsterdam, The Netherlands.

The published rates of commission will be paid to members of the Amsterdam Stock Exchange to enable them to exchange dividend coupon nos. 25 and 26 without charging commission to Shareholders. Rights to payment of dividend in the form of Ordinary Shares will be made available to holders of CP Certificates through the intermediary of the institutions acting as custodians of the coupon sheets to their shares at the close of business on May 17, 1990.

Shareholders requesting their bank to accept/transfer securities in connection with the surrender of coupons will be charged the usual standard fee for deposit/withdrawal according to the schedule of charges of the Association of Netherlands Bankers (Nederlandse Bankiersvereniging).

The Hague, May 17, 1990.
50 Marshooveplein

The Executive Board

INTERNATIONAL CAPITAL MARKETS

Slow start expected for Oslo options trading

By Karen Fosell in Oslo

TRADING in options on five Norwegian securities is expected to get off to an extremely slow start today after a storm which stalled its launch for more than three years.

According to Oslo-based Moorgate Options the necessary concessions for trading and had yet to give official acceptance of the two clearing entities - Norsk Opsjonssentral (NOM) and Norsk Clearing Central (NCC).

"There are no few participants ready to go and those which are ready will have only a limited client base," according to Mr Peter Warren of

Moorgate Options. "This is really too bad, for the first day's trading volume is a measure of how successful trading will be, but in our case the first day of trading will be totally unrepresentative of the success we can expect," he said.

Oslo is to trade options for five securities including Bergen, Den norske Bank (DNB), Hafslund, Norsk Hydro and Saga Petroleum although market makers for just three stocks - Bergen B shares, Norsk Hydro and Saga Petroleum - have been declared.

"I think they should have waited to open until everything was in place and brokers understood clearly the rules

and had established a customer base," Mr Warren suggested.

On May 11, OM London, a subsidiary of the Stockholm Options (OM), commenced trading options on three Norwegian stocks but has so far had limited success. Norway's regulators intervened last Friday to prohibit Norwegian brokers from trading options in London, in a bid to pre-empt OM from gaining an edge on Oslo, although changes to the rules are being worked out.

In Oslo, buyers and sellers may clear their trades in separate clearing entities, that is, "cross clearing," with one clearing house putting up margin requirements for the other.

DTB to launch futures contracts

By Katherine Campbell in Baden-Baden

THE DEUTSCHE Termibörse (DTB) plans to introduce futures contracts from September 10 over an extended 10-hour trading day on the electronic West German exchange.

In an attempt to emulate the success of the physical futures pit, the exchange and consultants have been working for over a year to revise considerably the existing options technology. DTB members have yet to be shown the new screen format.

The contracts, futures based on 10-year West German government bonds and on the DAX blue chip equity index, marks the first expansion of the DTB's product list since it

began trading options on 14 trading West German securities in January. They will be traded between 8am and 6pm, a hefty extension of the current 4-hour day.

The bond future will pose a direct challenge to the almost identical product which has traded highly successfully on the Life for two years.

Mr Jörg Franke, chief executive of the DTB who is hoping to attract an unspecified proportion of London's business back home, noted that the official market for cash bonds was in Germany, even if prices were often determined by how the futures contract moved in London.

Speaking at a seminar in Baden-Baden, arranged by

CEM Securities, the Frankfurt broker, he added that the exchange would tackle the wide bid-offer spreads currently besetting parts of the market by proposing a series of spread limits valid for orders of at least 10 contracts.

DTB board will decide on this and other matters, including whether to add a short-term D-Mark interest rate future in competition with the instruments already listed in London and Paris.

The board is also likely to discuss whether to replace the very thinly traded Allianz option, with a contract on the power company, Rheinisch-Westfälisches Elektrizitätswerk.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, May 21, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US \$	D-MARK	YEN	COUNTRY	£ STG	US \$	D-MARK	YEN	COUNTRY	£ STG	US \$	D-MARK	YEN
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INTERNATIONAL CAPITAL MARKETS

World Bank Y30bn deal meets strong demand

By Andrew Freeman

DESPITE BUSY new issue activity yesterday, the Euro-bond market lacked real direction and most deals were aimed at specific or retail demand. The preliminary launch into formal pricing by Salomon Brothers of an expected \$1.1bn global credit card-backed issue overshadowed other activity.

Nevertheless, there was widespread comment among syndicate managers that a series of generously priced deals had been launched.

The World Bank brought a Y30bn seven-year deal via L/CB International with a 6% per cent coupon. The paper was attractively priced to yield around 20 basis points over an outstanding 5-year issue and met good demand at less than 1% bid, a discount comfortably inside full fees.

Traders said demand for the bonds appeared to have been largely pre-identified, but there was quickly plenty of paper changing hands.

The issue proceeds are thought to have been swapped into D-Marks via floating-rate US dollars.

134 International was the lead manager of a \$300m issue for the Export Import Bank of Japan. The 10-year bonds carried a 9% per cent coupon and were priced at 101 1/4 to yield 60 basis points over Treasuries.

IBJ reported early demand from the Far East, with good European demand emerging later.

It was quoted the paper at less than 1% bid, inside 2 per cent full fees and implying a tighter spread at around 57 basis points.

INTERNATIONAL BONDS

Two fungible deals were issued.

Nikko Securities brought an Ecu125m seven-year tranche for the European Investment Bank, fungible with an existing Ecu1bn deal.

The bonds were aimed at specific demand in Japan in order to increase the global liquidity of the outstanding paper.

A FF100m issue for Interfinance Credit National was launched late in the day by Credit Commercial de France to offer an attractive 27 basis point pick-up over an outstanding FF100m three-year 10% per cent deal.

COP was quoted the paper on fees at less than 1% bid amid steady domestic demand.

Bankers Trust unveiled a \$500m deal for General Electric Capital Corporation in what has been a quiet sector lately.

The two-year bonds were priced to yield around 40 basis points over Canadian Treasury and were trading just inside fees at less than 1% bid.

Proceeds were swapped into floating-rate US dollars.

Elsewhere, Hambros Bank's \$575m four-year deal for Ford Credit Australia was generously priced to attract switching business and traded inside fees at less than 1% bid.

In Switzerland, SBC launched a SFR150m 15-year deal for Oesterreichische Kontrollbank to a fine reception.

The bonds, which carried a 7% per cent coupon, were quoted by SBC at less than 1% bid, well inside full fees.

There was good demand for the long maturity.

Banco di Roma was the bookrunner of a L150m four-year issue for Commerzbank Overseas Finance, the first non-tax-exempt bank borrower this year.

The deal had a steady reception on the back of the week-end cut to 12% per cent in Italy's discount rate, trading inside fees at around less than 1% bid.

Proceeds were thought to have been swapped into D-Marks at an attractive rate last week.

There was some comment from syndicate members that their allocations were frustratingly small.

Stock exchanges fail to bury the hatchet

Richard Waters finds disagreements on the road to European-wide share trading

The day when shares are traded across borders with as much ease as instruments like Eurobonds is a far away as ever. Last week's meeting of European stock exchanges in Copenhagen, at which competing exchanges discussed ways of burying their differences, achieved about as little as most pessimistic observers had predicted.

Of three topics before it, the meeting made headway on one, virtually ignored the second and almost failed to agree on the third.

Agreement was reached for a so-called European List to be developed by the end of 1991. This idea, proposed by the French, involves listing European's leading companies on all stock exchanges within the EC, allowing investors to deal in foreign companies' shares through their own national stock exchanges.

The French had wanted to restrict the list to 300 companies, selected in part by the size of their home country's gross national product. These restrictions have now been dropped: the list is to be open-ended, and GNP will play

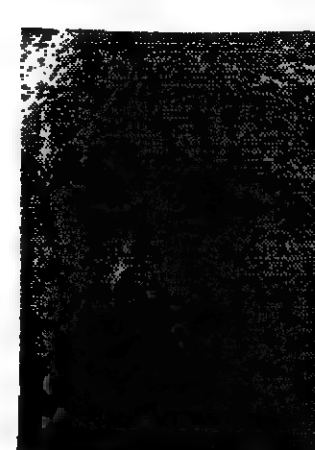
no part in the selection of companies on the list.

Supporters claim the list will provide the foundation for a European share market, and serve retail investors well.

"Private investors, who are used to a home market, need facilities at home," said Mr. Rüdiger von Rosen, executive vice chairman of the German Federation of Exchanges. Such investors should not be ignored, he warns: "They make this business profitable," paying a large proportion of the commissions which are the lifeblood of stockbrokers.

Others at the meeting were less enthusiastic. Mr. Andrew Hugh Smith, chairman of London's International Stock Exchange, said that European share markets would remain as fragmented as ever, and be as unattractive to large investors — especially those from the US and Japan. London believes investors want a wholesale market spanning the continent, not a retail one. This is the second issue put to the Copenhagen meeting, and the one to which virtually no consideration was given.

Mr. Hugh Smith proposed a European wholesale market



Andrew Hugh Smith proposed European wholesale market

(EWM) bearing strong similarities to the ISE's Stock Exchange Automated Quotations (Seaq) International, an electronic system for trading international shares. Seaq is the leading market for cross-border share deals, and provides a model that the ISE would like to see adopted by all European exchanges.

Its EWM proposal amounts to an offer to other exchanges of joint ownership of Seaq.

under a different name. London, as the centre for equity trading in Europe, would retain the whip hand, at least in the short term.

Other exchanges, unwilling formally to cede authority over cross-border share dealing to London, balk at the proposal.

The ISE's answer: a market like an EWM is the only option if the exchanges are to retain equity business rather than see it seep off-market to others like Reuters.

In Copenhagen, the EWM went virtually undiscussed. However, the exchanges agreed to research the idea further.

Should no co-operative wholesale market emerge, full-blooded competition would follow. Mr. von Rosen, for instance, recently warned that the German share system could be marketed in London. Seaq, on the other hand, could be extended to overseas market makers, including those with no base in London — something the ISE has stopped short of through concern about its ability to supervise and discipline an off-shore member.

It may not take a collapse of talks about an EWM to bring

about such competition. The ISE, wary of losing its competitive advantage, has already made it clear that it will continue to develop Seaq. Obtaining a handful of overseas members could tip negotiations over the EWM in its favour.

The third topic on the Copenhagen agenda was meant to be the showpiece of the meeting, but nearly led to a public falling out. This was the signing of a joint venture agreement on the Pipe, a proposed information network that would provide the infrastructure for a European share market. Such a signing was intended to be a formality, but was almost shelved after complaints from London that the business case for the system had not been made.

The chances of the Pipe collapsing even at this stage still seem to be high — although, when asked about the likelihood of success, Mr. Hugh Smith said: "I think it's odds on that it will happen." After two days of co-operation like these, the exchanges will welcome the breather before the next summit in Dublin in November.

Bunds suffer from tepid reception to federal new issue

By Deborah Hargreaves in London and Janet Bush in New York

CASH prices for West German Bunds suffered from the market's tepid reception to Friday's new federal bond issue yesterday while futures traders were more sanguine.

The new federal bond which pays a coupon of 8% per cent

was quoted lower than its issue price yesterday offering a yield of 8.77 per cent. The real yield on the new bond at launch was 8.61 per cent.

The June futures contract on the London International Financial Futures Exchange (Liffe) fell to \$2.59 from Friday's close of \$2.61.

Some investors have been caught out by the recent strong performance and those that own stock are hanging on to it. With so little paper in the

coupon compensates to some extent for the higher-than-expected real yield, investors are balking at paying more up front for the benefits of a higher running yield.

In addition, the bond is not yet deliverable against Liffe's bond futures contract since it will not be listed on the Frankfurt Stock Exchange until next week. Liffe issues its list of deliverable securities against the June futures contract on Wednesday and the new issue will not be eligible for delivery until September.

The current illiquidity of the UK gilt market was underlined yesterday as prices wavered on very little buying. The market was squeezed on technical trading and analysts cited little real demand.

Some investors have been caught out by the recent strong performance and those that own stock are hanging on to it. With so little paper in the

BENCHMARK GOVERNMENT BONDS									
Coupon	Red	Price	Change	Yield	Week	Month	Year	10yr	30yr
UK GILT	10.000	4/95	94-08	+21/32	12-40	13-27	13-30	13-30	13-30
US TREASURY	8.875	10/00	94-08	+1/8	11-28	12-27	12-27	12-27	12-27
JAPAN	10.000	10/00	94-08	+1/8	10-28	11-28	11-28	11-28	11-28
FRANCE	10.000	10/00	94-08	+1/8	10-28	11-28	11-28	11-28	11-28
GERMANY	10.000	10/00	94-08	+1/8	10-28	11-28	11-28	11-28	11-28
NETHERLANDS	10.000	10/00	94-08	+1/8	10-28	11-28	11-28	11-28	11-28
AUSTRALIA	10.000	10/00	94-08	+1/8	10-28	11-28	11-28	11-28	11-28
NEW ZEALAND	10.000	10/00	94-08	+1/8	10-28	11-28	11-28	11-28	11-28
SWITZERLAND	10.000	10/00	94-08	+1/8	10-28	11-28	11-28	11-28	11-28
SPAIN	10.000	10/00	94-08	+1/8	10-28	11-28	11-28	11-28	11-28

London closing. * denotes New York closing. Prices: US, UK in \$/c, others in decimal. Source: Reuters, London market standard.

market, even a hint of buying interest is enough to push prices sharply upwards. UK gilts were about a point stronger at the opening of the market yesterday, but slipped ahead of the release of UK

US Treasury bonds moved marginally higher yesterday, stabilising after four consecutive days of loss on disappointment that the US Federal Reserve appears to be keeping monetary policy on hold.

In late trading, the benchmark long bond was quoted at a point higher for a yield of 8.68 per cent. Trading was quiet.

The Fed's announcement of matched sales last Friday put to rest any hopes of an easing in monetary policy.

The minutes of the Federal Open Market Committee meeting of March 27, released last Friday, showed the same balance of opinion as the meeting in early February. Two members dissented from the consensus for an unchanged policy because they favoured tightening.

The Fed did not intervene in the money market at its usual intervention time, consistent with an unchanged Federal funds target of 8% per cent.

The day's business in Hanson with most of the trade done by BPW and James Clark, was 82W which traded 1,512 contracts, 1,502 calls, and 210 puts. The July 800 calls at 600 was the busiest contract.

Dealers expect the next few days to be busy with the expiry of the May account and the publication of the trade figures on Wednesday.

In the future, there was heavy buying of the June FT-SE contract early on in the day before trading settled into one trader called an "unsuccessful afternoon."

The futures market closed at a premium of 28.

NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner	Lead	Co-lead	Other
World Bank (a)	30bn	6%	101 1/4	1997	1 1/2%	LTCS Int.			
US DOLLARS									
Ex-Im Bank of Japan (a)	200	8%	101 1/4	2000	8 1/4%	IBJ Int.			
Fin Finance & Trade (a)	30	10	101 1/4	1997	1 1/2%	Chase Investment Bank			
CANADIAN DOLLARS									
Gen. Elec. Corp. (a)	100	10	101 1/4	1998	1 1/2%	Bankers Trust Int.			
AUSTRALIAN DOLLARS									
Prod. Credit Australia (a)	75	10%	102	1994	1 1/2%	Hambros Bank			
ECU									
ECU (a)	125	10	98 1/4	1997	30/20bp	Nikko Sec. (Europe)			
STERLING									
Prod. Credit (a)	100	10%	100	1997	1 1/2%	J.P. Morgan Sec.			
FRENCH FRANCES									
Interfinance Cr. National (a)	500	10%	101 1/4	1998	1 1/2%	GOF			
SWISS FRANCES									
Swiss Control Bank (a)	180	7%	101	2005	8%	SBC			
SWEDISH KRONOR									
Swedish Export Credit (a)	300	10%	101 1/4	1998	1 1/2%	Skandinaviska Banken			

* Fixed terms. (a) Non-callable. (b) Dual-currency bond. Borrower option to redeem in lire at fixed rate of L12.12. (c) Fungible with existing Eurobond from August 15. Non-callable. (d) Fixed re-offer price. (e) Fungible with existing FF100m bond. Non-callable. Issue price plus accrued interest. (f) Call after 10 years at 101 1/4 declining 1/4 p.a.

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS										Fri May 18				Thurs May 17				Wed May 16				Year ago (approx.)																				
Figures in parentheses show number of stocks per section										Monday May 21 1990																																
A & SUB-SECTIONS										Index	Day's %	Est. Earnings Yield (%)	Green Div. Yield (%)	Est. P/E Ratio	Index ad. 1990 to date	Index	Index	Index	Index	Index	Index	Index	Index	Index																		
1	CAPITAL GOODS (139)	867.52	+0.8	13.36	5.22	9.05	15.78	860.37	861.18	840.13	988.42																															
2	Building Materials (27)	1078.44	+1.1	14.64	5.51	8.44	22.22	1066.99	1069.52	1035.92	1266.62																															
3	Contracting, Construction (36)	1349.29	+1.1	17.96	6.08	7.27	33.20	1361.19	1349.50	1302.97	1738.52																															
4	Electrical (10)	2658.10	+0.3	11.59	8.46	10.70	63.43	2641.34	2640.07	2974.94	2973.76																															
5	Electronics (29)	1874.64	+0.2	9.69	5.96	13.36	19.33	1870.23	1871.05	1821.83	2229.97																															
6	Engineering-Aerospace (25)	462.70	+2.7	14.87	5.03	8.48	9.31	460.39	462.68	446.11	0.00																															
7	Engineering-General (43)	467.16	+0.5	12.20	3.36	9.90	8.17	464.67	462.78	459.98	0.00																															
8	Metals and Metal Forming (6)	481.96	+0.4	24.38	4.07	4.62	0.53	480.05	480.67	553.40	925.66																															
9	Motors (16)	341.13	+0.4	16.16	6.60	7.22	9.36	339.63	338.78	330.87	0.00																															
10	Other Industrial Materials (24)	1598.52	+1.3	11.16	5.02	10.35	33.09	1568.75	1568.96	1523.42	1636.95																															
11	CONSUMER GROUP (170)	1256.89	+1.1	9.59	3.67	12.93	12.56	1243.70	1247.68	1231.98	1231.98																															
12	Brewers and Distillers (21)	1484.07	+0.7	10.09	3.86	12.01	12.62	1473.10	1474.71	1333.93	2139.94																															
13	Food Manufacturing (20)	1078.47	+0.3	10.38	4.37	11.94	16.98	1075.05	1075.66	1052.92	0.00																															
14	Food Retailing (16)	2291.96	+1.2	9.48	3.39	13.54	22.97	2264.54	2266.77	2403.51	2247.87																															
15	Health and Household (14)	2597.71	+1.9	6.45	2.68	17.90	20.36	2549.82	2553.62	2493.07	3311.08																															
16	Leisure (32)	1403.42	+0.6	10.28	4.23	11.86	18.28	1394.88	1405.35	1365.04	1642.04																															
17	Packaging & Paper (12)	571.93	+0.1	12.94	4.92	9.96	11.83	571.44	572.28	562.35	575.13																															
18	Publishing & Printing (16)	3311.54	+0.1	10.12	5.42	12.46	30.81	3308.22	3310.67	3257.88	2798.88																															
19	Stores (35)	777.08	+1.5	11.51	4.88	11.20	2.25	765.72	766.47	794.43	822.99																															
20	Textiles (12)	480.31	+1.5	13.68	7.21	9.44	13.26	473.02	467.42	462.16	540.40																															
21	OTHER GROUPS (109)	1129.35	+0.3	11.29	4.03	10.70	10.37	1125.08	1124.41	1118.36	0.00																															
22	Agencies (17)	2577.28	+0.4	6.31	2.50	19.12	14.99	2590.86	2591.47	1788.07	0.00																															
23	Chemicals (23)	1242.30	+1.1	11.43	5.32	10.25	28.52	1229.09	1232.98	1280.06	0.00																															
24	Conglomerates (14)	1611.55	+0.1	10.46	6.14	11.48	14.41	1609.36	1606.32	1574.61	1601.84																															
25	Transport (13)	2212.38	+0.6	10.81	4.45	11.77	26.91	2211.24	2216.41	2147.91	2666.18																															
26	Telephone Networks (2)	1136.37	+0.4	11.08	4.07	11.74	0.00	1141.34	1154.98	1168.17	0.00																															
27	Water (10)	1936.07	+0.6	16.00	7.00	6.15	0.00	1924.64	1929.77	1994.50	0.00																															
28	Miscellaneous (26)	1725.21	+0.2	12.04	4.91	9.48	18.70	1721.88	1728.33	1715.50	1590.88																															
29	INDUSTRIAL GROUP (482)	1136.04	+0.8	11.03	4.61	11.04	13.32	1127.38	1130.75	1161.46	1158.87																															
30	Oil & Gas (18)	2263.27	+0.8	11.98	5.37	11.03	46.43	2262.10	2262.77	2029.50	0.00																															
31	SHARE INDEX (508)	1230.45	+0.5	11.16	4.71	11.04	15.95	1223.79	1229.85	1278.69	1233.20																															
32	FINANCIAL GROUP (109)	783.27	+0.3	—	—	—	—	784.60	784.50	764.52	751.52																															
33	Banks (9)	534.50	+0.5	15.67	6.44	6.66	28.48	532.28	537.58	815.48	754.57																															
34	Insurance (Life) (7)	1544.20	+1.0	—	—	—	36.94	1531.04	1535.52	1293.50	1094.66																															
35	Insurance (Composite) (7)	667.89	+0.8	—	—	—	19.43	662.80	664.32	637.96	599.34																															
36	Insurance (Brokers) (7)	1054.62	+0.7	8.20	11.17	16.06	27.41	1041.97	1042.97	1049.63	1004.81																															
37	Merchant Banks (7)	432.30	+0.4	—	—	—	4.85	434.10	432.44	427.39	330.34																															
38	Property (47)	1070.57	+0.7	8.23	4.26	15.46	8.32	1070.26	1070.33	1070.33	1241.48																															
39	Other Financial (25)	1136.35	+0.2	11.64	7.33	9.25	4.54	1094.05	1091.75	971.77	376.62																															
40	Investment Trusts (67)	1136.32	+0.1	9.29	3.27	13.24	17.93	1105.63	1107.03	1167.31	1165.05																															
41	Investment Trusts (67)	1332.71	+0.1	6.45	3.98	8.92	15.27	1318.37	1320.47	1351.39	1351.39																															
42	ALL-SHARE INDEX (683)	1122.64	+0.5	—	—	—	16.34	1117.16	1122.46	1094.63	1114.94																															
FT-SE 100 SHARE INDEX																						2282.1	+13.0	2282.1	2261.3	2269.1	2284.4	2281.1	2212.2	2214.5	2149.1											
DAX 30 SHARE INDEX																						1136.32	+0.1	9.29	3.27	13.24	17.93	1105.63	1107.03	1167.31	1165.05											

UK COMPANY NEWS

Nearly £5m in red after TPS losses and reorganisation costs

Tern pulls out of estate agencies

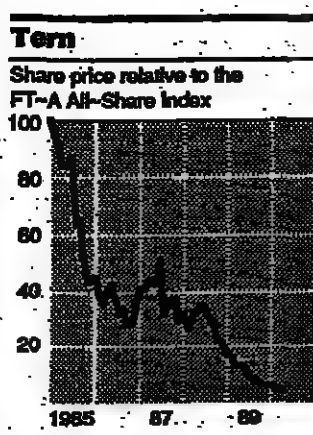
By Andrew Hill

TERN'S ill-fated foray into the estate agency business, which began with a series of acquisitions at the peak of the housing market two years ago, has finally come to an end.

The USM-quoted company is to sell its half-share in Tern Property Services (TPS) to Equity & Law Life Assurance Society, which owns the other half, and concentrate on its core construction and development side.

Losses of £2.78m at TPS, together with reorganisation costs, drove Tern £4.98m into the red before tax last year, compared with a profit of \$872,000 in the 15 months to December 31 1988. A further £3.12m was lost below the line on the sale of the estate agency business.

Mr Peter Hickson, who became managing director last



September, said he had been surprised by the extent of Tern's difficulties. Since he joined, Tern's head office staff has been reduced from 23 people to just six.

"Until you are actually inside a problem company you don't know what the problems are - certain aspects were much worse than I expected, but certain aspects were much better, such as the well-run construction business," said Mr Hickson yesterday.

Equity & Law, which bought 50 per cent of TPS last September and also owns 10 per cent of Tern itself, will pick up the balance of TPS's shares for £2.8m cash, and up to £5m related to the estate agency's performance in the next three years. Mr Hickson said he expected Tern to draw down about £1.5m of the deferred payments.

Tern is also hoping to put in place a new option scheme for certain directors and senior managers in the group, which will be linked to earnings tar-

gets over the next five years.

Tern's sales last year were almost static at \$50.8m (\$80.4m) and there were exceptional costs of £1.2m, mainly related to central reorganisation expenses. A loss of 9p per share compared with earnings of 1.4p in 1988 and there is no final dividend.

Mr Hickson said: "We certainly hope there are no more performance penalties to crawl out of the woodwork." Legal & General Group has bought Adam Kennedy, a London-based estate agent, for \$5m. L&G will also subscribe £2m of preference shares. There is a maximum additional profit-related payment of \$2.5m over the next three years. Adam Kennedy will be merged with Land & Co, another estate agent already under the L&G umbrella.



Jurek Piascecki: blamed high gearing on delayed property sales and excess stocks of diamond jewellery

Goldsmiths tops £4m but shares slip on gearing worries

By Jane Fuller

GOLDSMITHS GROUP, the jewellery retailer, made a pre-tax profit of £4.06m in the year to March 3, in line with the figures anticipated when it joined the market in January.

Its share price, however, shed 20p to close at 116p, compared with 150p in the offer for sale, which saw 30 per cent of the £20m issue left with the underwriters.

Sentiment was dampened yesterday by the year-end posting figure of 96 per cent. At the time of the flotation 72 per cent had been expected.

The profit compared with £2.27m for the previous 11-month period. Turnover at the group, which has 104 branches, rose by nearly £3m to £89.58m.

Mr Jurek Piascecki, chairman, said the high gearing was due to the delayed sale of one freehold and five leasehold shops, excess stocks of diamond jewellery and a reduced equity base.

He said the property sales should be concluded by September. The stock "imbalance" was being sorted out through returns to suppliers and redistribution between branches.

Net borrowings had been brought down from £20m to £10m at the year-end by the proceeds of the issue. Mr Piascecki said gearing should be down to about 25 per cent by next March.

Interest paid last £103,000 to £1.95m.

During the year, nearly £3m was spent on acquisitions and modernising or moving shops. This year's figure was likely to be £1.6m with the main ongoing being the opening of two large stores in Essex and Sheffield.

Two other smaller shop openings were also planned, Mr Piascecki said.

Sales were up by about 13 per cent so far this calendar year and the chairman believed the more affluent and older, mortgage-free customers would be relatively immune from the interest-rate squeeze.

Pro-forma earnings per share were 13.5p. A special final dividend of 1.4p is proposed.

COMMENT

Goldsmiths' profit improvement follows the closure of 25 less profitable shops and the purchase of a smaller number of more promising ones since a management buy-out two years ago. The group is staying up-market of the larger Raters chain and the jewellery market is doing better than much of the retail trade. Yet the picture is tarnished by the partly self-inflicted debt. Over-optimism about the Christmas demand for such delights as diamond rings is costing dear in interest payments. While it is plausible that Woopies (well-off older people) are immune from mortgage-induced pain, surely a portion of Goldsmiths' custom is feeling the pinch? Maybe this accounts for Mr Piascecki citing the poll tax as one reason for slower growth in April, when according to his thesis that tax should be a drop in the ocean to his clientele. While pre-tax profit may increase to £5m this year, a tax charge of 35 per cent will constrict earnings growth. A prospective rise of less than eight seems undemanding, but uncertainties remain about performance.

Great Western profits spurt to \$7.15m

By Steven Burder

GREAT WESTERN Resources, the US-based resources company listed in London, reported a sharp rise in net income from \$1.2m to \$7.15m (\$4.22m), in the six months to the end of March.

The results were Great Western's first since the capital restructuring in December which eliminated non-voting class B shares and prompted a big rise in the company's share price.

Earnings per share came to 9 cents for the half year, compared with 2.6 cents last year for class A stock and 1.8 cents for class B stock.

The dividend was lifted from 2p to 2.5p (US\$0.0125) net to UK shareholders.

Turnover rose from \$71.13m to \$81.04m, while pre-tax profits leapt from \$1.7m to \$8.5m.

The improved results were underpinned by a rise in oil and gas production.

Gas production more than doubled from 10.5m cu ft a day to 21.5m cu ft a day, while production of condensate, a light hydrocarbon, rose from 267 barrels a day to 341 b/d. Prices were also higher, rising from \$1.93 per thousand cu ft to \$2.13 per thousand cu ft.

The results were also lifted by settlement of a take-or-pay dispute in a gas sales purchase contract which led to receipt of \$6.8m over a 12-month period. The full amount was booked in the half year to the end of March.

Current gas production has reached 22 million cu ft a day. Drilling is expected to continue at a brisk level in order to continue adding to gas reserves.

The coal division benefited from a 5 per cent increase in coal sales and higher prices. Coal output rose from 8,076 tons a day to 8,495 tons a day.

Reserves of low-sulphur coal were increased, which were expected to become more valuable as clean air legislation encourages use of low-sulphur fuels.

December's capital restructuring resolved a long-standing difficulty for shareholders. The Kuwait Investment Office, which held 50 per cent of the company's non-voting shares, or 70 per cent of total capital, now holds a little less than 30 per cent of voting shares. Mr Dan Pena, chairman, saw his holding reduced from 44.4 per cent to 15 per cent.

New management cuts losses at Wharfedale

By Jane Fuller

THE FIRST figures for Wharfedale since its management took over the nearly bankrupt Audio Fidelity consumer electronics company showed a cut in the pre-tax loss from £2.4m to £220,000 for the six months to December 31.

Mr Keith McKenna, chairman of the USM-quoted company, said: "We have cleaned out the nonsense in the first half." Although the reverse takeover had not been completed until January, managers from the Wharfedale loudspeaker company had moved in last

autumn on a consultancy basis, he said.

The £2.78m raised by a 5-for-3 rights issue in January had been absorbed by the reorganisation and debt was still at £2.7m for gearing of 150 per cent.

An operating loss of £109,000 was made on turnover of £2.67m (\$5.93m). Interest payments fell to £216,000 (\$232,000).

The sale of Captain Billy's record company and two subsidiaries in the gifts business made up an extraordinary loss of nearly £500,000.

The retained parts are Fane, which Mr Ashley Ward, chief executive, said specialised in "consumer gizmos," notably the hand-held Transistor and Fane and McKenna, makers of parts for rock-concert-sized loudspeakers.

Mr McKenna said Fane had turned in a £200,000 profit after losing more than £1m last year, while the latter pair had made losses of about £400,000 but were now trading profitably, as were all the divisions.

The main action had been to close Audio Fidelity's London

head office and to reduce overheads and stock.

After a tax credit of £423,000, earnings per share were 0.7p, compared with losses of 23.1p. There is no interim dividend.

The figures excluded the Wharfedale loudspeaker business. After several years of losses, it returned to profit in the first half, making £154,000 pre-tax on sales of £2.56m (\$2.7m).

The shares closed at 9p, against a rights issue price of 11p.

NEWS DIGEST

Fags lifts stake in Chile mine

ANTOFAGASTA Holdings, the London-quoted group with a variety of industrial interests in Chile, proposes to pay up to \$6m (£3.6m) for another one-third interest in Cerro Negro, which operates a copper mine in central Chile, to take its interest to 84.6 per cent.

Shareholders' approval is required because the vendor company is owned by Mr Andronico Lukic, chairman of Antofagasta, and his family interests.

Antofagasta intends to pay \$4m cash on completion and up to \$2m more in cash following a valuation of Cerro's mineable reserves which should be completed in August. RTZ Consultores valued Cerro as at January 1 at \$10.5m. In 1989 Cerro produced pre-tax profits of \$5.1m (down from \$6.5m in 1988) and on December 31 had net tangible assets of \$9m.

Radio City out of tune with £458,000

A sharp decline in both local and national sales revenue in March and the fact that in the corresponding month of last year radio industry revenues were 50 per cent higher than in any previous month, left interim pre-tax profits of Radio City (Sound of Merseyside) lower at £458,000.

Radio City shares lost 17p to 283p.

The outcome, for the six months to March 31, compared with £621,000 last time. Turnover declined from £2.63m to £1.57m.

Directors said that national sales in all areas had been rather subdued and that results in a reduction, from £153,000 to \$91,000, in the contribution from the Broadcast Marketing Services associate.

After tax of £160,000 (£218,000) earnings per share emerged at 11.46p (15.56p). The interim dividend is increased from 3p to 3.5p.

Nykredit Mortgage Bank at £1.17m

Nykredit Mortgage Bank, formerly Business Mortgage Bank, reported a pre-tax profit of £1.17m for the eight months to the end of November, compared with £2.63m for the previous 12 months.

There was an exceptional provision this time of \$800,000 against bad and doubtful debts taking the total provision to £2m or 3 per cent of the net loan portfolio. There was also an extraordinary charge of £250,000 to cover the costs of the unwelcome bid from National Home Loans and the refinancing of bank loans.

Total assets for this UK arm of Nykredit of Denmark at the end of the period were £57.93m, against £63.92m at March 31. The figures included mortgage loans of £55.44m (£60.71m).

Fairline makes further progress

Fairline Boats continued to make headway in the six months to March 31 with pre-tax profits rising from £1.8m to £2.01m - an increase of 10 per cent.

The outcome compared with a 20 per cent increase in sales to £16.97m.

Mr Sam Newington, chairman, pointed out that profit margins were down because of higher costs relating to the introduction of new products and the commissioning of the new factory. Those costs would not recur in the second half.

Tax accounted for £676,000 (£904,000) leaving earnings per share at 30p (\$4.5p). The interim dividend of £1.5m rose from 8.5p to 7.15p - last year's total amounted to 18.5p.

Mercurius has 16% holding in Chloride

The steady stake-building by Mercurius, the Swedish investment company, in Chloride is continuing. The shareholder yesterday announced that its holding now stood at 83.2m shares, or 16.03 per cent, following the purchase of a further 250,000 shares.

The UK batteries group said there had still been no significant contact with Mercurius, although it had consistently offered to meet the Swedish group.

The holding has been built up through regular purchases since January, with Mercurius declining to comment on the situation.

Demerged Argos ahead 8.4% in first quarter

By Nikki Tall

ARGOS, the catalogue retailer which was demerged from BAT Industries last month, yesterday announced a trading profit of £4.2m in the 13 weeks to March 31, 8.4 per cent higher than in the same period a year earlier.

Sales rose 16 per cent to £150m, but that partly reflected increased selling space. The like-for-like sales increase was 8.1 per cent.

The company only released first quarter figures because these were set to become apparent anyway. BAT, the tobacco-based conglomerate, is due to publish quarterly figures this week, which will incorporate combined results for Wiggins Teape Applon, its paper operations, and Argos.

Meanwhile, WTA, also in the process of being demerged, recently published listing particulars, which spell out its own figures for the first three months.

By combining these two bits of information, investors could have deduced the Argos results. Argos said it will not publish quarterly results in the future.

The retailer added that, since the end of first quarter, sales had remained buoyant, and that it expects to open 25-30 new stores this year. However, it stressed that the company was dependent on Christmas trading and that prospects generally would be affected by the economic climate over the next seven months.

Argos shares gained 5p to 203p.

Power spends \$131m in US

By Paul Chesseright, Property Correspondent

POWER Corporation, the acquisitive Dublin-based property group which took a London listing in 1987, is expanding its US portfolio by spending \$130.75m (\$77.5m) on the San Francisco Centre, a 670,000 sq ft shopping mall on nine floors.

This is Power's largest purchase in the US and marks a further step in the internationalisation of the company, only 5 per cent of whose properties are now in Ireland.

Two thirds of the cost is being financed by a non-recourse loan at a fixed interest rate of 10.75 per cent secured on the property and the remainder will be covered by Power's own cash resources.

Mr Robin Power, chairman, said yesterday that, given its normal technique of gearing it had the ability to buy \$400m of property. This technique is to supply a quarter of the funds and raise non-recourse funds to cover the balance.

The company, Mr Power said, was cash-rich. Since flotation it has had three rights



Robin Power: ability to buy \$400m of property

issues. Recently it has increased its bank facilities and has been engaged in a programme of sales of properties on the Island Site, adjacent to the Trocadero in London's West End.

The seller of the San Francisco Centre is Mr Sheldon

Gordon, a private US developer who specialises in shopping mall projects. The Centre was completed 18 months ago and is 90 per cent let.

Average shopping rents in central San Francisco are \$150 per square foot, but at the Centre they are only \$50, Mr Power said. This implies the expectation of growth.

Power is selling its interest in Two Rodeo Drive, a Los Angeles property and Mr Power said the company expected to receive \$30m.

Mr Donald Trump, the aggressive US developer now almost as well-known for his marital problems as his eponymous projects, at the Ambassador Site in Los Angeles.

Mr Trump wants to extend this partnership to London and Mr Power said that he had assembled a list of sites in the west of London, concentrated on the Knightsbridge district, which might be suitable for a large mixed development of offices, retail and residential property.



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774/9

U.S.\$200,000,000 First Chicago Corporation Floating Rate Subordinated Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next Interest Period has been fixed at 8.5375% per annum. The Coupon Amount payable on the 22nd August, 1990 will be US\$218.12.

Manufacturers Hanover Limited Agent Bank

BRITANNIA BUILDING SOCIETY

£100,000,000 Floating Rate Notes 1994

In accordance with the terms and conditions of the Notes, notice is hereby given that the Rate of Interest for the next Interest Period from (and including) 21st May, 1990 to (but excluding) 21st August, 1990, the Notes will carry a rate of interest of 15% per annum.

The relevant Interest Payment Date will be 21st August, 1990. The Coupon Amount per £100,000 Note will be £1,903.01 payable against the surrender of Coupon No. 1. Hambros Bank Limited Agent Bank

NEMGLA to call for an orderly disposal of assets

By Patrick Cockburn

THE NATIONAL EMPLOYERS Mutual General Insurance Association, which is refusing to pay \$500m (\$31m) claims in Australia, is to ask creditors at a meeting on Friday to agree to an orderly disposal of assets.

The company, until recently one of the largest writers of employers' liability in the UK, was badly hit by workmen's compensation business written in the late 1970s and early 1980s which produced a level of claims which was higher than expected.

It is seeking to persuade creditors not to force the company into liquidation but to accept a scheme of arrangement under which it could sell its assets for more than five sale prices.

Earlier this month Mr Stanley Hollowell, managing director, said the company would not meet claims on its Australian business. The company subsequently told its underwriting managers, Chancery Insurance, to stop paying claims on its marine re-insurance business in London.

Mr Hollowell yesterday denied reports that a meeting with creditors last Friday had gone badly, saying "the meeting went very well".

UK and Irish business, with £131m of premium income in 1989, to Assurances Generales de France, the second largest French insurance group, last December. Mr Hollowell said the company's most valuable remaining assets were subsidiary and associate companies in South Africa, Trinidad, Jamaica and Malaysia.

He added that if these assets were sold then the company, which he described as being short of liquid funds, would be able to pay creditors. The most important of these are Australian state governments which, under Australian policyholders' protection law, will take responsibility for the 7,000 outstanding insurance claims.

In arguing against the appointment of a liquidator the company said it needed to restructure its own insurance protection under a so-called time-and-discount policy with Fimac, the Bermuda-based reinsurer which is owned by CE Heath, the UK broker.

Under the policy the payment of \$9.6m by National Employers in 1991 would produce \$40m from Fimac in 1990. The company told last Friday's meeting that a liquidator might be unable to make this arrangement.

UK COMPANY NEWS

Squeeze on margins hits UK operations

Overseas activities help

AB Foods rise to £284m

By Clay Harris, Consumer Industries Editor

ASSOCIATED British Foods, the milling and baking group whose brands include Ryvita and Allinson, increased pre-tax profits by nearly 20 per cent to £283.8m in the year to March 31 in spite of a squeeze on margins in its UK operations.

Operating profits from UK manufacturing businesses rose by only 3.4 per cent to £80.9m, less than half the rate of growth in sales. Mr Gerry Weston, chairman, said yesterday this reflected the pressure applied by large retailers.

Stewart's and Crazy Prices, ABF's retail chains in Northern Ireland, were also squeezed in the second half by an aggressive store-opening programme by rival Gateway's Wellworth subsidiary.

The UK slowdown was more than offset, however, by a 23 per cent increase to £60.8m in profits from overseas subsidiaries and a 48 per cent jump in investment income to £33.5m. Investment income from ABF's 21st-plus cash balance as well as dividends from Berisford International, the diversified beet sugar processor

group in which it owns a 23 per cent stake, accounted for 46 per cent of pre-tax profits.

Mr Weston reserved his position on Berisford, which is the subject of takeover speculation. He welcomed recent management changes - the resignations from the board of Mr Ephraim Margulies and Mr Howard Zuckerman and the appointment of Sir John Egan and Mr Brian Smith as non-executive directors.

"I'm very happy, but I'll be even happier when we can successfully interpret their half-year results," Mr Weston said. Berisford is due to report interim figures next month.

Mr Weston said he expected any bid for Berisford by Tate & Lyle, its cane sugar rival, to be referred to the Monopolies and Mergers Commission.

He did not, however, see why this should necessarily apply to an offer from Mr Larry Goodman, the Irish agriculturalist, unless there were questions about its financing arrangements.

ABF's bid for Berisford in 1987 was cleared to proceed

without a Monopolies reference. Although it won acceptance from a majority of the target company's shareholders, ABF allowed its offer to lapse after the October crash.

In ABF's 1989-90 results, the advance in pre-tax profits from £287.1m in the previous year came on turnover ahead 11 per cent to £2,776m (£2,580m).

An extraordinary credit of £79.8m (£58.8m) reflected the £89.1m surplus on ABF's sale of its stake in Gateway to Isocoles, reduced by a provision for future withdrawal from certain unidentified non-core trading activities.

Mr Weston said this reflected an intention if the circumstances were right rather than any firm plan.

The Gateway disposal was largely responsible for an increase in the effective tax rate from 30.5 to 32 per cent. Earnings per share rose by some 17 per cent to 41.8p (£3.9p). A second interim dividend of 7.7p (£0.6p) raises the total for the year to 11p (£0.9p).

See Last

Roast beef of Olde England stays put at Savoy

By Nikki Tah

MAD COWS topped the billing at yesterday's annual meeting of The Savoy Hotel, transforming the highly theatrical gatherings of recent years into a more modest, domestic drama.

Gone was the sniping between Savoy and Trusthouse Forte, its largest shareholder and would-be acquirer. A trace in the latter eight-year battle was arranged last November, with THF gaining two seats on the Savoy board.

Yesterday, Mr Rocco Forte made his first formal appearance as a Savoy director, chatting amiably to Mrs Charles Price, wife of the former US ambassador to London and fellow member of the board, as a gentle hubbub of shareholders took their seats. The THF chief executive then rose only once.

To second a motion recognising one of the other directors, the specialist car engine company which came with the acquisition of digital processing and engineering group UEL, the effects of a possible bid for the 56 per cent of Thames Television now on the market and concerns over margins in Carlton's video cassette duplication business - sent the shares into something approaching free fall.

Carlton, which has for some years been a favourite of the Stock Exchange, saw a third of its value wiped out in a couple of weeks. The shares went from a high of 962p on September 18 to a low of 450p on April 24 with a precipitous on the graph in the two weeks after the use of the word "respectable".

As the Carlton share price plummeted the behaviour of a company with a serious problem at its heart - a company heading for at least restructuring if not takeover - the headlines justifiably read: "Video Star Shares and High Flying Carlton Go Into A Stall".

"I was surprised at the speed and severity of the fall," is all the 42-year-old Mr Green will say although he has clearly been given a lesson on the difference between the

In respect of the chosen word

Raymond Snoddy on Carlton Communications' interim statement

MR MICHAEL Green, chairman of Carlton Communications, the television services company, used that word again yesterday. The one that got him and his share price into trouble.

"I am pleased to report respectable progress in the six months to March 31 1990," said Mr Green in the opening sentence of his statement accompanying interim results that showed pre-tax profits of £64.5m - an increase of 54 per cent.

The use of the word "respectable" was deliberate and contained more than a touch of both mischief and self-satisfaction.

At the end of March "respectable" was the word chosen by Mr Green to describe profits for the year so far. In the past the word had been generally used as "healthy".

The difference between the two, combined with what was seen as a series of potentially negative influences on the company - concerns over the £165.5m sale price of Cosworth, the specialist car engine company which came with the acquisition of digital processing and engineering group UEL, the effects of a possible bid for the 56 per cent of Thames Television now on the market and concerns over margins in Carlton's video cassette duplication business - sent the shares into something approaching free fall.

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Michael Green: "respectable progress" in the first six months

reactions of the institutional investors, who overwhelmingly stayed with the company despite obvious concern over the fall, and the market makers who resolutely marked down the shares, often on the basis of a relatively small number of shares being sold.

On one of the worst days for the Carlton share price when 3m shares were traded, Carlton found that only a total of 700,000 out of the company's 184.38m shares in issue had actually changed hands.

Before yesterday's results, which saw turnover increase by 73 per cent to £405m although earnings per share at 22.02p were static largely because of the issuing of new shares, equipment had already started to move modestly in Carlton's favour.

By the end of last week the shares had edged up to 545p and there were several favourable brokers' reports.

Jessica Reiff, of First Boston in New York, described Carlton as a "strong buy" at the end of last month and said: "Carlton's share price may begin rising as most of the speculation hounding the company appears to be untrue."

The initial reaction to the interim results yesterday, however, was to mark Carlton

down 25p to 515p because the better-than-expected profits were accompanied by a note of caution.

The breakdown of Carlton's sales and pre-tax profits by division shows that while sales have increased substantially there has also been an overall reduction in pre-tax margins, Mr Green said.

This had been particularly true in television, video and sound products and Mr Green conceded an awareness of greater competition in some of Carlton's markets and that "the general economic climate may affect orders in the short term".

Mr Green was, however, adamant that nothing of substance was going to change in how Carlton was run or commanded with the City although the uncertainty did provoke the company into bringing the interim forward.

"All we are going to do is continue the same as we have been doing before and not be deviated from it," he said.

"We have stayed in the same business. We are following the industry our management know and understand," he added.

Carlton claims that a fall in margins in video cassette duplication at its Technicolor

subsidiary have been more than offset by increases in volume. New duplication capacity will also prevent the farming out of work - something that happened last Christmas.

Carlton also says that its Abekas subsidiary took an unprecedented number of orders for a new digital vision mixer after its launch last month and new products have been launched by Quantel, the digital processing company that was Carlton's main reason for acquiring UEL.

Mr Green does concede a turning point may have been reached in the history of the company.

"You have a perception problem when you grow up after having been an entirely growth company. You are still a growth company but you are no longer a shooting star," Mr Green said.

One of the main uncertainties hanging over Carlton is the possibility of further acquisitions and the fear of further dilution through the issuing of new shares.

In recent weeks the company's name has been linked with not only Thames but also Mr Alan Bond's 28 per cent stake in British Satellite Broadcasting to be sold by the end of this month.

It is extremely unlikely that Mr Green will buy the BSB stake. He would only be interested if the price fell so low that the main BSB shareholders would almost certainly exercise their pre-emption rights to buy the stake themselves.

Mr Green is also known to be extremely cautious about Thames and is likely to pay no more than what he believes the company would be worth if it lost the ITV franchise in next year's competitive tenders.

The company is sticking to a flexible approach on bidding for or acquiring an ITV company but it is clear that with cash of about £50m and shareholders' funds of £400m it is highly unlikely that any future acquisitions will be paid for by issuing shares.

And in spite of growing competition in the television market and the effects of a downturn in advertising revenues the picture for Carlton still seems to be respectable if not exactly healthy.

Two further resignations from Regina Health board

By Andrew Hill

Regina Health & Beauty Products, the manufacturer and distributor of royal jelly - the bee food supposedly vested with rejuvenating powers - has been hit by two more boardroom resignations.

The group, which is seeking a rejuvenating injection of capital, lost Mrs Irene Stein, its chairman and founder, in November just a month after she had loaned £250,000 to the company.

Her replacement, Mr Gerry Simler and another director, Ms Ann Kenny, resigned yesterday.

Mr David Tett, who stepped into Mr Simler's shoes as finance director, will become executive chairman.

Regina was hit last year by an increase in administrative and distribution costs which held back profits.

Hartley Baird joint venture

Hartley Baird, the electric motors and domestic appliances manufacturer, has signed a protocol joint venture agreement to make electric motors in the Soviet Union.

The partner is Elektromash, based in Charkov in the Ukraine. The deal was arranged through Ucoz, Hartley Baird's associated company based in Izmir, Turkey.

Tace and Goring Kerr subsidiary up for sale

By Vanessa Houlder

SHARES IN Tace, a control equipment company, leapt 18 per cent to 161p yesterday when the company announced that it and its quoted subsidiary Goring Kerr, a metal detector manufacturer, were up for sale.

The move followed a decision by the Mackenzie family and other shareholders holding 45 per cent of Tace to sell their holdings.

The company said it would consider "unbundling" the company in an effort to get the best price. "Maximising value might be better achieved by an auctioning off subsidiaries and returning cash to the shareholders," said Mr John Mackenzie, a director.

He said that like other gamma stocks, the share price had suffered over the past year

and did not reflect the value of the company. "They are attractive businesses. They do have a value higher than the market rates them at," he said.

Before yesterday's rise, the shares of Tace and Goring Kerr had fallen by 47 per cent and 42 per cent respectively over the past year. Yesterday, Goring Kerr shares rose 18 per cent to 215p.

In the year to September 30, pre-tax profits fell from £2m to £2.86m at Goring Kerr and from £2.82m to £2.17m at Tace.

Other than Goring Kerr, which is 32 per cent owned by Tace, its main subsidiary is Anderson Instruments, a US company concerned with the detection of nuclear emissions.

Tace is being advised by Hambros Bank; Goring Kerr by Smith New Court.

Lep forms Czech offshoot

By Andrew Hill

LEP GROUP, the services company, has set up a freight forwarding subsidiary in Czechoslovakia, exactly a week after announcing its first move into East Germany.

The Czech expansion plans are less far-reaching than the East German agreement, which involved a joint venture with the state-owned transport operator.

Lep initially hopes to open two offices in Czechoslovakia, in Prague and in Brum. The Prague office should be open

by July 1.

They will be linked to the rest of the UK group's freight forwarding and distribution network, and will work closely with Lep's West German subsidiaries, Lassen and Wohlfarth.

The new subsidiary will be called Lep International CZE. Lep said yesterday it had no immediate plans to announce further moves into eastern Europe, although it already has sales delegations in other countries in the area.

US company enters battle for Crystalate

By Jane Fuller

Vishay InterTechnology, a US maker of electronic components, has said it will bid for Crystalate Holdings, a similar business in the UK which is the subject of a hostile bid from TRG Group.

Vishay said yesterday it was still working on the bid terms. Meanwhile Crystalate continued the fight against TI, the industrial holding group, by telling shareholders it would make a profit for the full year, after a first-half loss of £904,000.

This was announced after TI made its initial 7-for-10 all-paper offer, valuing Crystalate at £22.6m. Since then, TI has made its offer final, and has asked a partial cash alternative.

Lord Jenkin, chairman of Crystalate, said restructuring was well advanced and new orders at higher margins would help to restore profitability. Shareholders are expected to vote on a restructured final dividend of 3.5p.

Lord Jenkin also raised questions about the performance of TI. He asked to what extent acquisitions, and accounting connected with acquisitions, had contributed to its profit.

Crystalate's shares gained 3p to close at 83p yesterday. This is above the partial cash offer but below the all-paper version, which values Crystalate's shares at 85.4p each on TI's closing price of 122p.

Mecca seeks panel ruling on possible Rank bid intentions

By Nikki Tah

MECCA LEISURE, Britain's biggest "pure" leisure group following its takeover of Pleasureland in 1988, said yesterday that since its takeover it had established that Rank Organisation was not a shareholder in the company.

There has been a sharp price rise combined with relatively heavy trading in Mecca's shares since its takeover. Rank failed to rule out the possibility of bidding for the company.

Rank said that it had kept Mecca's businesses under review and that "while the options available to Rank inevitably include making an offer for Mecca, no decision has been made on whether any action may result from the current review".

At that stage, it was unclear whether Rank might have picked up a small stake in Mecca. However, Mecca has since sent out further notices under section 212 of the Companies Act. Yesterday, Mr Michael Guthrie, Mecca's chairman, said that these had established that Rank was not a shareholder.

Mecca's advisers, Samuel Montagu, also confirmed that they had been in touch with the Takeover Panel to see whether the UK bid watchdog might impose a deadline by which Rank would have to decide whether it wished to mount a bid or not. The current uncertainty, the advisers suggested, was "very unsatisfactory" for Mecca.

The Panel confirmed that

the matter had been raised, but the feeling seemed to be that these are early days. "We will gradually begin to monitor the situation," commented one spokesman.

Last year, Mr Asher Edelman, the US arbitrator who was playing the Storehouse situation, was given a three-week period in which to decide whether he would bid for the retailer or face a situation where he would be barred from making an offer for a further 12 months. However, the ruling came after many months of harassment from Mr Edelman, and he had already made a conditional offer at that stage - although the conditions were never likely to be met. In the event, Mr Edelman did not bid.

Proteus heading for USM quote

By Vanessa Houlder

PROTEUS International, a designer of molecular modelling software for drug development, is joining the United Securities Market in a placing that values it at £18.6m. Allied Provincial Securities is placing 5.37m shares at 84p each, representing 25 per cent of Proteus's enlarged capital.

The Cheshire-based company was set up three years ago. It has designed software that can be applied to the pharmaceutical, agro-chemical, biotechnology and chemical industries. It also creates potential drugs, the designs of which are sold to major pharmaceutical companies.

The company is due to make its first sales of Prometheus, the main software package, in the next few months. It has made an illustrative projection for the next 12 months of sales of £5.13m, research and administrative expenses of at least £2.4m and interest income of £300,000.

IN BRIEF

LEISURE GOLD: Loss before tax £22,289 (£29,696) for year to end December 1989. Administration expenses £252,284 (£22,145) and exceptional credit £10,225 (nil). Shares are traded on the Third Market.

ELGA GROUP has acquired Flowgen Instruments for £200,000, satisfied by 270,271 Elga shares at 74p each. Flowgen is engaged in the marketing and distribution of specialist products for use in the biotechnology and bioprocess industries.

McLeod Russel shows improvement to £4.6m

MCLEOD RUSSEL Holdings, with interests in surface coatings, textiles and property, increased pre-tax profits by almost 7 per cent to £4.6m in the six months to end-March.

This compared with £4.26m last time, which included a £1.7m contribution from the former Kenyan and Australian agricultural activities. Turnover was virtually unchanged at £18.58m, against £18.56m.

Mr Nigel Openshaw, chairman, said that in common with most of British industry, the surface coatings companies as a whole had done less well. However, Granby Surface Coatings had increased profits against a poor market background, as a result of the benefits of rationalisation. The textile division incurred a loss because of depressed trading conditions, but the property division profits were particularly strong in the first half due to the sale of Avonmouth Warehouse which realised a profit of about £2m. The profit from the division will be

lower in the second half with no major disposals planned.

Current trading conditions, Mr Openshaw said, were still difficult but he believed they were maintaining their market share. Considerable cash resources in hand were benefiting from the current high level of interest rates. It was intended to invest these funds in UK based businesses when suitable opportunities arose.

With tax taking a lower percentage - 30 per cent against 38 per cent - earnings per share were up 21 per cent to 7.05p (£5.82p). The interim dividend is raised from 2.5p to 2.75p.

The board said it was conscious of the present volatility of the financial markets and of the fact that the share price of any company may be depressed for reasons entirely unconnected with itself or its performance. It had therefore decided to call an extraordinary meeting shortly to seek permission to purchase its own shares.

BTR pays £118m to expand US operation

By Andrew Selig

BTR, the British conglomerate, said, Schlegel Corporation, the New York-based wholly-owned subsidiary, had agreed to pay \$200m (£118m) for United Technologies Corporation's Global Automotive Sealing Systems Group.

Schlegel makes hardware and sealing systems for home improvement and construction as well as automotive applications. Global supplies automotive body seals and sealing technology. The group employs 4,100 people at six sites in the US and Europe and last year had sales of \$275m.

Mr John Cahill, BTR managing director, said: "This transaction underscores BTR's strategy to build the presence and expand the operations, both globally and in the US, of its subsidiaries such as Schlegel, which we purchased in January 1989."

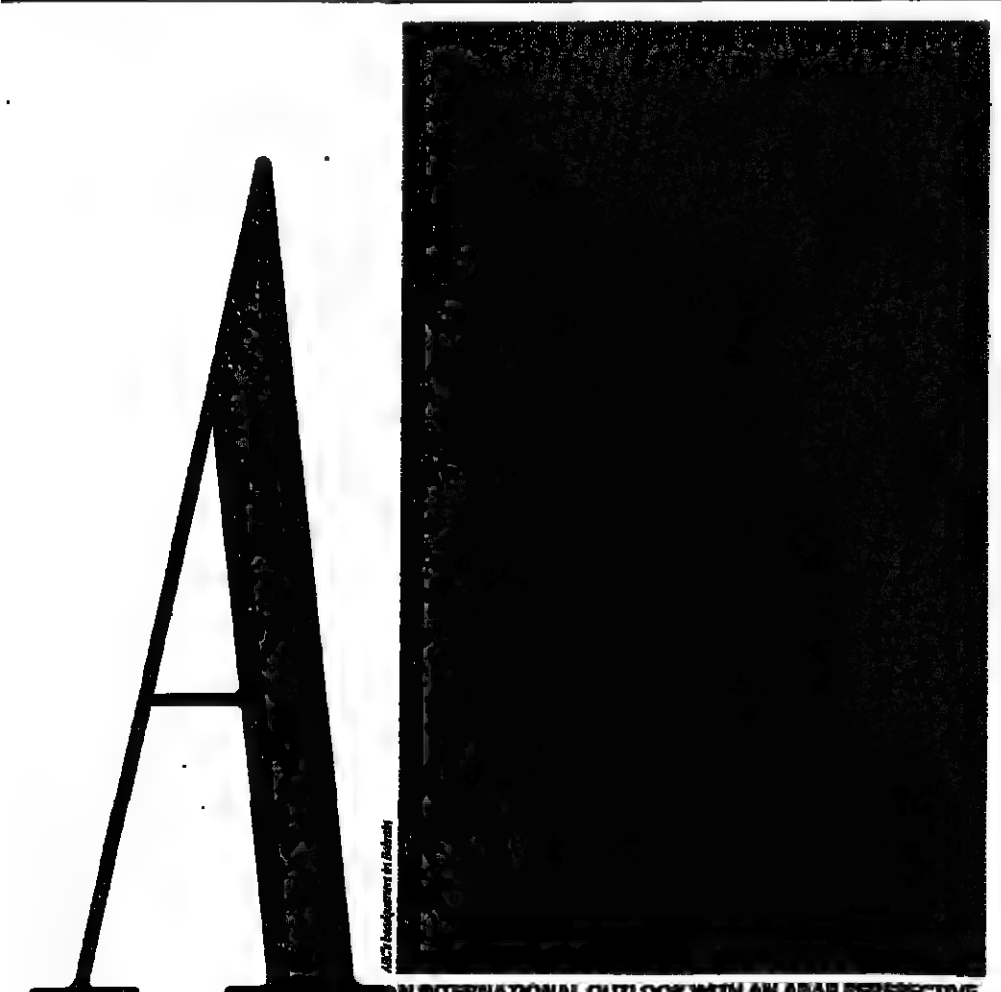
In addition to the assets of the US sealing system operations in Iowa, Indiana and California, the acquisition includes the purchase of Mesnel in France and Permolca in Spain. Net assets are approximately \$80m and the 1989 pre-tax profit was \$20m.

Mr Bob Faircloth, BTR's executive director, said: "The acquisition enhances our product range and technology in the automotive weatherseal business. In particular, in Mesnel and Permolca we will have two well regarded and growing businesses whose glass-run technology, equipment and processes are very impressive. They will broaden our existing technologies and provide opportunities for good growth in sales and earnings."

This acquisition is the first made by BTR in the US since its bid for Norton, the US abrasives maker, was defeated last month by a \$1.2bn counter-bid from Saint-Gobain, the French glass manufacturer.

BOARD MEETINGS

TODAY	
Interim - Anglo-Spanish Investment Trust, Bess, Fife, Hovis McDougall	
Final - British Airways, Channelised Properties, Conrad Continental, Gales (Frank G), Pennington Investment Trust, Pluma International, Pwong, Reardon	
FUTURE DATES	
Philip - Allied Colloids	June 5
Brown Shipley	June 6
Glynis	June 6
Channel Express	June 6
Cock (William)	June 6
Electrocomp	June 6
Hartwell	May 30
Hendy Motor	May 30
M. Holdings	May 30
Scapa	June 14
Wentworth	June 20
Yates & Vitor	June 7



When Arab Banking Corporation was established ten years ago, its objective was to offer innovative international banking services catering to the financial requirements of the Arab world.

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TECHNOLOGY

Fizz on the shop floor

John Griffiths sets foot in BMW's experimental unified research establishment

During the past month, the last arrivals of a work force of more than 4,500 engineers and support staff have been settling in front of their computers screens inside a vast, and remarkable new building close to the heart of Munich.

In one of its dozens of nooks and crannies, design engineers are sketching out their preliminary ideas for the BMWs of the early 21st century.

In another, only a short walk from the designers, is a car assembly line, with a difference. It is itself a research project, but nevertheless capable of building more than 3,000 cars a year, about the same output as Ferrari.

In other parts of this extraordinary edifice - its main halls shutting more than a dozen hexagonal towers; the towers, in turn, linked by covered aerial walkways - is now proceeding almost every activity involved with the development of a car from first concept to final production.

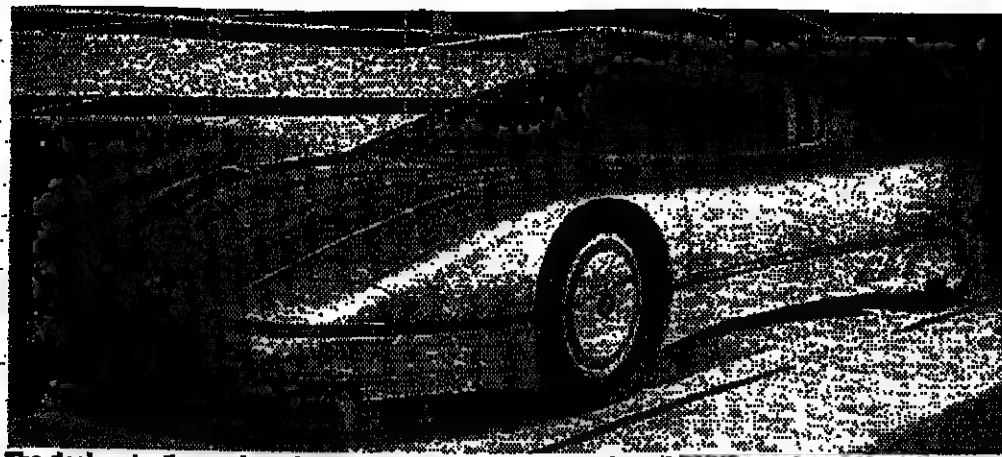
By the mid-1990s every activity will be involved. More towers will have sprouted, and the manpower risen to around

6,000 to become one of the greatest single concentrations of vehicle engineering expertise in Europe.

Behind the building's design lie some guiding principles which, disarmingly simple though they might appear, are expected by BMW to play an important part in ensuring its long-term presence in the motor industry.

Within its walls, according to Dr Bernd Pischetsrieder, BMW's director of manufacturing engineering, lies not just the means to develop better, more sophisticated cars and the manufacturing methods to produce them but the ability to reduce by a full two years the development time of every future BMW model.

A fundamental principle is that no one member of the establishment has to walk more than 50 metres to talk face-to-face with another, no matter how seemingly disparate their projects or their disciplines. This rule was inspired in part by a Massachusetts Institute of Technology study on the communications behaviour of R&D engineers. It found that they developed 80 per cent of their ideas in immediate



The design, testing and production process will be undertaken at BMW's centre at Munich

contact with their colleagues. The goal is to eliminate intermediaries and so make much more efficient the process of researching, developing and manufacturing cars.

This means, for example, that a designer with an idea for a novel type of engine bulkhead can stop work for a minute or two, wander down a few stairs, perhaps along a corridor, and find out directly and immediately from the robotics researchers that a robot capable of installing such a design a) has not been invented yet; and b) is never likely to be.

Such conversations in enormous variety, are now going on in their hundreds every day within what everyone calls the FIZ. It is the acronym for Forschung und Ingenieurzentrum, in English, Research and Development Centre. It is a short term for a long project.

The FIZ has been completed to its present stage over nearly four years - but to very little fanfare. Even its formal open-

ing, a few weeks ago, has been allowed to pass virtually unnoticed.

Yet it is a project on which BMW has so far spent Dm1.2bn (243m) and which, says Dr Wolfgang Reitzle, director of research and development, is unique.

He says it represents an unprecedented mingling of manufacturing and product development, including even patents, personnel and the buying of components. In the mid-1980s phase, another 1,500 engineers will arrive to expand the vehicle and production planning departments.

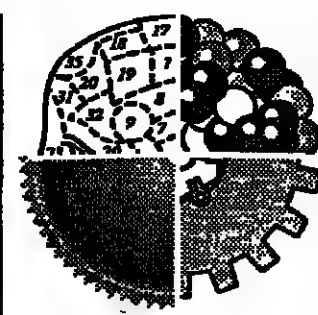
One key role for the centre is the creation of vehicle prototypes as quickly as possible. Contrary to some beliefs, as powerful as computer design and engineering systems have become, they cannot completely "model" a vehicle and how it will behave. "Computers can handle the geometry, but not the physics," points out Dr Pischetsrieder. "You still need physical prototypes.

These take even the Japanese one year; it is the area where you lose or gain time."

Crucially for this extreme example of simultaneous engineering, manufacturing methods are developed in parallel with the prototypes; always the myriad queries on route being discussed or settled at the end of a few yards' walk, despite the nearly 1.2m sq ft of the complex. Pre-FIZ, BMW's R&D employees were spread over 10 sites in and around Munich.

Quite what the financial savings on a new model's and its production facility's development will turn out to be "is impossible to know at this stage," says Dr Pischetsrieder. "We know it will save two years over the entire process."

"But more important even than that is that the end result is much better - in terms of the design and quality of the car itself and the efficiency and flexibility of the production process."



WORTH WATCHING

by Della Bradshaw

Two in one heat and power

HOW do you get your domestic electricity free of charge? A Swedish company, Tem of Lund, claims to have solved the problem by adapting a 19th century technology for use in the 21st.

The company has designed a derivative of the Stirling engine - which used to power boats and other machines - to produce domestic heat and power instead of today's oil or gas powered boilers.

Stirling Engines, the UK company responsible for manufacturing and selling the boiler, believes it can produce both heat and power by consuming only the same amount of fuel used as today's heat-only boilers, so cutting back on fuel bills. The boiler costs about £1,000.

With the Stirling engine the gas or oil is burnt outside the cylinders and the heat passes through a thin metal heat exchanger into a chamber containing helium.

In one ear, round to the other

A HEARING aid system, which can be fitted unobtrusively into a person's head, will be officially announced next month and will be available later this year, can design



unsightly to wear. Developed by the West German electronics company Siemens, the device uses the good ear to compensate for the problems of the bad one by routing sounds along a wire fitted into a tunnel etched into the rim of the spectacles.

The system incorporates the hearing aid and battery in the padlock attached to the end of the spectacles arm. A tiny module with a tube which passes into the ear is fitted on the arm.

With this technique for transferring the sounds - called contra routing of signals - the sound entering the bad ear is picked up by the hearing aid and the channelled to the good ear, through the frame of the glasses.

Siemens claims the big breakthrough is that the system can be fitted to any pair of spectacles. However the company does admit one drawback: take off your glasses and you lose part of your hearing as well.

Board games for the future

AS complicated electronic widgets find their way into more and more products - from motor cars to washing machines - the computer systems to design the boards and chips have to match the sophistication of the components.

Valid Logic Systems, of San Jose, has developed a computer aided design computer system which enables companies to design widgets known as multi-chip modules - a cluster of up to 100 minute electronic chips on one silicon die.

The company has brought together its expertise in chip design - developing one component at a time - and the design of boards, on to which the components fit. The system, which will be officially announced next month and will be available later this year, can design

the modules with as little as 25 microns - 25 millionths of a metre - between each component. The software will run on workstations from Digital Equipment, IBM or Sun, and can be used to design modules based on the new ceramic substrates.

Dancing to the Blue Danube

IT IS not easy to design and build a ship with all the characteristics essential to the success of a limbo dancer, writes Robin Burton.

Yet this is what Cochrane Shipbuilders of Selby have done with their stretched cargo ship intended to enable companies to trade far up European inland waterways without the need to unload the cargo into small barges.

The 3000-ton ship has a collapsible superstructure and masts, a flat enough bottom to sit on the riverbed if necessary, and can turn in its own length, which will be very considerable if it is to satisfy capacity requirements. The first such ship will soon be in operation for Union Transport, of Bromley.

Dogs and pigs out of work

AN artificial nose which can sniff out that most edible of delicacies, the truffle, has been developed by a British university.

Unist, in Manchester, says its electronic sleuth does away with the problems of its porcine and canine rivals: pigs tend to gobble up the truffles while dogs get distracted by more "interesting" smells.

The hand-held device sniffs the truffles using a pump which pulls air in over a series of sensors - 20 different sensors have been crammed on to one tiny chip.

The machine chemically matches the pattern of smells until it spots the strong aroma of the underground fungus.

When lingering over the delicacy, a computer unit linked to the sensors displays the characteristics which the handler can recognise as signifying a healthy harvest.

Contacts: BMW AG, Munich, 089 30555; Siemens AG, Munich, 089 30555; Valid Logic, San Jose, 408 432 9400; Cochrane Shipbuilders Ltd, 01757 700051; Unist, 061 265 4200.

Recycling the product

of used thermoset plastics, which cannot be melted down for re-use, is being evaluated as an energy source. How to dismantle and process a total of 1,500 cars over the next 12 months.

It will evaluate the various materials making up the cars, in particular plastics, and alternative methods of recycling them into reusable materials or energy. Even recycling of materials used in the manufacturing process is under close investigation with, for example, the solvents used in BMW's main paint plant being collected in gaseous form and used as a fuel for heating.

High temperature burning up a permanent recycling plant, capable of processing 250,000 cars a year. BMW's hope is that such plants will be a norm for the motor industry.

Mr Eberhard von Kienheim, BMW's chairman, has already called for co-operation among the world's vehicle makers to ensure that the most effective means of recycling are developed. He is planning talks with other European car makers with the aim of exchanging know-how.

West Germany's other main vehicle makers, Volkswagen and Mercedes, have their own research programmes. In December, VW opened a \$1m

recycling technology research facility in northern Germany. Mercedes work on recycling already stretches across a broad front, embracing such items as catalytic converters, tyres and even cables.

While the identities of BMW's partners in the Landshut venture are not currently being disclosed, BMW is known to already co-operating with General Electric of the US, a major plastics developer, in researching the use of plastics suitable for recycling.

BMW says that it would take two years to bring a 250,000 cars-a-year plant on stream from the time of deciding to go ahead. It is thus

likely that a plant will be in operation by the end of 1992. The site is expected to be at Wackersdorf, also near Munich, although no final decision has been made.

The eventual objective is to be able to recycle virtually 100 per cent of every car built. However, achieving this will be a long process, according to Dr Bernd Pischetsrieder, director of manufacturing engineering. He said that development of the first car to be designed for complete recycling would begin in 1990, with production not starting until after the turn of the century. "So assuming a 10-15 year period, the full benefits of recycling will come through starting around 2020," said Dr Pischetsrieder.

John Griffiths

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FT LAW REPORTS

The greening of the law

By Andrew Waite

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UNTIL recently environmental law was regarded very much as an academic subject which although of great interest to many people was not generally taken seriously by those who wished to practise law in commercial fields.

All that has now changed. Within the past year or two solicitors have begun to take a fresh look at the subject. Some firms, particularly, but not exclusively, in the City, have set up environmental law departments.

In 1986 in response to the changing climate, the UK Environmental Law Association was set up. Aimed originally at academics, it now has a membership of more than 600, the majority of whom are practising solicitors. The cutting edge of environmental law has moved from the universities to private practice.

There are three interlocking reasons for this sea change in the legal profession's perception of environmental law. First, public interest in and apprehension about the environment has at last been awakened, at least partly by media campaigns.

Second, the environment has been pushed from the bottom to the top of the political agenda, the watershed being Mrs Thatcher's now famous speech to the Royal Society in September 1988. This has brought a noticeable increase in the volume of environmental legislation in its wake, much of it emanating from the European Community.

Since the Single European Act, the EC has had express power to legislate in the environmental field. Pressure from Europe has forced the hand of many governments including the UK's.

Third, these twin pressures have led to a realisation on the part of industry that not only must it comply with existing law and be ready to meet higher standards in the future but that a sound environmental policy will be to its commercial advantage.

It is only within the past 15 to 20 years that environmental law has begun to develop a set of coherent underlying principles. However, the law is constantly changing and it is a considerable task for industry to keep abreast of developments.

In the past 18 months there have been important alterations to the law on waste management, air pollution and water. Further and more comprehensive changes have appeared in the recent Environmental Protection Bill - the so-called Green Bill which has just had its first reading in the House of Lords after completing its passage through the Commons.

It will introduce a new system of integrated pollution controls for those industries with the most environmentally damaging emissions. Technology-based controls will aim to control emissions not to a single medium (such as air) but to air, land and water.

The object is to achieve the Best Practicable Environmental Option for dealing with industrial by-products. Other industrial processes which pollute the atmosphere will require prior authorisation from the local authority.

The rules on waste management will be tightened. There will be a duty of care on waste producers to prevent any unlawful disposal of waste and to ensure that it is transferred only to someone authorised to handle it.

At present, a waste disposal licence can be surrendered to the waste disposal authority at any time thus enabling the disposer to avoid any onerous after-care conditions attaching to the licence.

Under the Green Bill proposals, this loophole will no longer be available. Licences will only be capable of being surrendered when the waste regulation authority is satisfied that the condition of the land is unlikely to cause pollution of the environment or harm to human health.

Other provisions in the Green Bill will extend local authorities' control over air pollution and regulate the release of genetically manipulated waste into the environment.

Pressure for yet more legislation comes from the EC, which continues to produce a constant flow of proposals for directives on environmental protection.

Just as it appears that we have almost achieved a workable set of rules to deal with the problems of pollution and the deterioration of wildlife

habitats and other important natural areas, we begin to be aware of other global problems which the law has barely begun to grapple with.

Issues such as climate change and the depletion of the ozone layer will initially be matters for politicians and international lawyers at prestigious conferences such as the United Nations environment conference in Bergen, Norway, this week. Eventually, however, their deliberations must be translated into conventions which in turn must be implemented in national law.

Industry needs to understand its rights and duties under environmental legislation and informed legal advice to guide it through the maze of existing controls and to help plan for the future.

Most conservationists now accept that advising industry on environmental law is not only acceptable but essential for the protection of the environment.

A healthy profit margin is not necessarily achieved at the expense of the environment. On the contrary, environmental protection is only likely to be accorded a high priority when the economy is strong enough to protect it - a fact of which those of us who have had dealings with environmental protection efforts in poorer Third World countries are painfully aware.

Lawyers have an important role as advocates and negotiators. Industrialists may find themselves before the courts either as defendants to civil or criminal proceedings or as plaintiffs seeking to restrain the polluting activities of others.

Negotiation with the enforcement agencies is also important. Environmental controls are often imposed on individual undertakings by means of notices served under general statutory powers.

The controls may be unacceptable onerous to the company. The opinion taken by some is to quietly ignore such impositions and hope that infringements will be undetected. Even if they are detected current levels of fines although increasing in severity are not generally prohibitive.

However, such complacency is no longer commercially viable in the light of the public's new-found interest in the environment. Nor is it justified from the legal point of view, as recent cases have shown that courts may impose injunctions to enforce environmental controls.

Generally there is a right of appeal against notices served by environmental enforcement bodies. An acceptable resolution can often be negotiated.

At the end of the day industrialists have to develop a working relationship with the enforcement agencies and vice versa. Industrialists need the enforcers to understand their problems, and conversely the enforcement agencies need to educate the industrialists as to how to operate so as to inflict the least possible harm to the environment.

Many companies are beginning to appreciate the benefits of the environmental audit. Although these were once the preserve of a few environmentally conscious companies many more big industrial undertakings are developing corporate environmental policies.

Environmental audits are undertaken on a regular basis to monitor compliance with existing legislation and to identify areas in which improvements can be achieved either by eliminating or reducing pollution or mitigating its effects and by reducing the exposure of employees and third parties to health risks.

In the field of mergers and acquisitions it is also important in the changed political and legal climate of today, to ascertain whether the target company has environmental liabilities or problems which the acquirer will not wish to shoulder.

The rule of caveat emptor means that full searches and inquiries have to be made on these matters and where necessary, appropriate indemnities must be required from the seller.

There is a great deal to be done here by industry and its legal advisers in this rapidly developing and increasingly important area.

The author is head of the Environmental Law Group at the City solicitors Masons, and secretary of the United Kingdom Environmental Law Association (UKELA).

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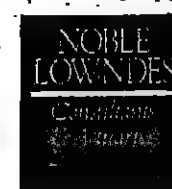
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STRAIGHT ANSWERS TO COMPLICATED QUESTIONS

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FT LAW REPORTS

Prospectus claim is struck out

AL-NAKIB INVESTMENTS (JERSEY) LTD AND ANOTHER v LONGCROFT
Chancery Division
Mr Justice Mervyn Davies
May 1 1990

DIRECTORS who issue a prospectus to shareholders for the purpose of considering a rights issue owe no duty of care to those who use it for the different purpose of deciding whether to buy shares in the market.

Mr Justice Mervyn Davies so held when striking out part of a statement of claim in an action by the plaintiffs, Al-Nakib Investments (Jersey) Ltd and another, against nine defendants, Mr James Longcroft and others.

HIS LORDSHIP said that by their statement of claim the plaintiffs alleged that the defendants were directors of a Bermuda company called Mneemos Ltd, a subsidiary of the ninth defendant, Combined Technologies Corporation plc (Comtech), an English company.

Comtech developed an electronic information storage and retrieval system ("System 6000"). Mneemos was incorporated to exploit System 6000. Application was made to the Stock Exchange for permission to deal in Mneemos shares issued on the unlisted securities market. A prospectus was published on April 19 1983 inviting subscriptions for 12,449,915 ordinary 10 cent shares in Mneemos at 65 pence per share.

The shares were offered by Comtech directors to Comtech shareholders. The offer was associated with an offer of Comtech shares, and with the fact that some Mneemos shares were the subject of an agreed subscription by "institutional investors".

The statement of claim complained that a number of statements in the prospectus were untrue or misleading. The principal complaint was that the prospectus stated that System 6000 was fully developed and marketable was untrue.

Al-Nakib Investments was entitled to subscribe for 400,000 shares, in reliance on the prospectus it applied for 400,000 shares at a price of £220,000. As to that transaction, relying on inaccuracies in the prospectus, Al-Nakib Investments claimed compensation pursuant to section 87 of the Companies Act 1985, and damages for negligence. The defendants did not seek to strike out those claims.

Complaints were made in respect of six other transactions which the applicants now sought to strike out.

In those transactions Al-Nakib Investments acquired 3,000,042 Mneemos shares in the market for £1,709,556; acquired options on 1,050,000 Mneemos shares for £35,508; increased its Comtech shareholding by 6,489,371 for £2,390,422; acquired 3,795,000 Mneemos shares for £1,424,253; and acquired 400,000 Comtech shares for £97,778.

Some of those transactions were said to be affected by misrepresentations in the interim reports read together with the prospectus. The claims were framed in negligence against Comtech and the Comtech directors.

It was alleged that the directors knew or ought to have known that Al-Nakib Investments was a Comtech shareholder and was likely to consider whether to acquire Mneemos shares not only under the rights issue, but also in the market, and was likely to rely on the prospectus and interim reports, and that in considering the prospectus and interim reports in draft form and authorising their issue, the directors owed it a duty of care.

Mr Steinfield for the defendants sought to strike out the claims deriving from those transactions. He said that directors no doubt owed a duty of care in respect of statements in a prospectus to persons who subscribed for shares offered by the prospectus, but in the present case the Mneemos prospectus was issued for a particular purpose — to invite Comtech shareholders to subscribe for shares in Mneemos at 65 pence per share.

That being the purpose of the prospectus, he said, it could not be relied on in respect of a purchase of shares in the market, and could not found a negligence claim against the directors.

In *Caparo Industries (1989) 3 WLR 853, 377*, which related to auditors' accounts, Lord Bridge said that in cases where a statement occasioning economic loss might be the subject of a negligence claim, the salient feature was that the

defendant giving information was fully aware of the nature of the transaction the plaintiff had in contemplation, knew the information would be communicated to him, and knew it was very likely he would rely on it in deciding whether or not to engage in that transaction.

He quoted from *Scott Group v McFarlane (1978) 1 NZLR 533* referring to "the need for a 'special relationship': a relationship which can properly be treated as giving rise to a special duty to use care in a statement. The question... is whether the nature of the relationship is such that one party can fairly be held to have assumed a responsibility to the other as regards reliability of the advice or information."

In *Caparo* at page 406 Lord Jauncey said: "Only where the auditor was aware that the individual shareholder was likely to rely on the accounts for a particular purpose such as his present or future investment in or lending to the company would a duty of care arise."

Those words showed that a duty of care did not attach to a situation where a statement had been made for a particular purpose and was used for another purpose. The question was whether a duty of care existed as between the directors and Al-Nakib Investments.

A duty of care would not arise because Al-Nakib Investments made use of the prospectus for a purpose other than that for which it was issued. The prospectus was given to Comtech shareholders to enable them to consider whether or not to take up an offer of one Mneemos share for every five Comtech shares at 65 pence per share.

In those circumstances the "special relationship" referred to in *Scott* did not arise, so the facts pleaded did not suffice to ground any duty of care.

The conclusion was the same with regard to the interim reports. They were issued for the purpose of informing Mneemos shareholders of the activities of the company. Al-Nakib Investments used them for the purpose of making up its mind whether or not to buy in the market.

Mr Milmo for the plaintiffs referred to Lord Bridge's words at page 388 in *Caparo*, that in decided cases where a duty of care in respect of negligent statements had been held to exist, he would expect to find

that the "limit or control mechanism" imposed on the wrongdoer's liability to those who had suffered economic damage "rested in the necessity to prove... that the defendant knew his statement would be communicated to the plaintiff... in connection with a particular transaction of a particular kind (eg in a prospectus inviting investment)..."

Mr Milmo emphasised the words "eg in a prospectus inviting investment". He said the Mneemos prospectus invited investment.

However that might be, one still had to consider whether the prospectus invited buying in the market or taking up a rights issue.

Mr Milmo said the prospectus was issued to encourage the Comtech shareholders to take up Mneemos shares, either by taking up the rights issue or by buying in the market.

There was no encouragement to buy in the market in the wording of the prospectus.

Mr Milmo relied on *Smith v Bush (1989) 2 WLR 790* where Lord Griffiths said that where those who gave advice assumed responsibility, a duty of care was owed by the adviser to the addressee "only if it is foreseeable that if the advice was negligent the recipient is likely to suffer damage, that there is a sufficiently proximate relationship between the parties and that it is just and reasonable to impose the liability".

The court adopted those words, but they left for further consideration the question what was a "sufficiently proximate relationship". That question was to be answered by considering by whom and to whom the advice was given.

The defendants did not owe the plaintiffs a duty of care in respect of the relevant transactions, in that the prospectus and the interim reports, having been addressed to the plaintiffs for a particular purpose, i.e. considering the rights issue, was used by the plaintiffs for another purpose, i.e. buying shares in the market.

The challenged paragraphs of the statement of claim were struck out.

For the plaintiffs: Patrick Milmo QC and Charles A.H. Gibson (Kingsley Napley)

For the defendants: Alan Steinfield QC and Laurence Cohen (Norton Rose)

Rachel Davies
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and
AMERICAN CYANAMID COMPANY
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and
CYANAMID OF GREAT BRITAIN LIMITED
(Incorporated in England with registered number 181277) ("CGBL")

NOTICE

to the holders of the debentures 8 per cent.
Notes due 1981 of CHC (Guaranty of Cyanamid Holdings, Inc.)
(the "Notes") and the "Notes" respectively
guaranteed as to payment of principal and
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- The substitution of CGBL in place of CHC as principal debtor under the Notes and the Coupons; and
 - The appointment of CGBL by the Guarantor as an additional authorized agent upon whom process may be served.
- NOTICE IS HEREBY GIVEN to the Noteholders that:
- In accordance with Condition 15 of the Terms and Conditions of the Notes, CHC, the Guarantor and CGBL, have entered into a Second Supplemental Fiscal and Paying Agency Agreement dated 18th May, 1990 (the "Second Supplemental Agreement") and CGBL, has executed an instrument dated 18th May, 1990 (the "Instrument") under which, with effect from and including publication of this Notice in accordance with Condition 14 of Terms and Conditions of the Notes, CGBL is substituted for CHC as principal debtor under the Notes and the interest coupons representing thereon (the "Coupons").
 - The instrument contains covenants substantially similar to those given by CHC under the Notes.
 - Under the Second Supplemental Agreement the Guarantor confirms that its Guarantees of the Notes and the Coupons shall remain unaffected and shall continue in full force and effect notwithstanding the substitution of CGBL as principal debtor.
 - Accordingly, CGBL is hereby substituted for CHC as the principal debtor under the Notes and Coupons with effect from including the date of this Notice.
 - The Guarantor, in the supplemental Agreement referred to above, has irrevocably appointed CGBL as an additional authorized agent upon whom process may be served in any action or proceedings of or in the Courts of England arising out of or in relation to the Notes or Coupons or the Instrument.
 - The Notes will not be stamped, nor exchanged, and will remain valid on the Luxembourg Stock Exchange under the name of the original principal debtor, Cyanamid Holdings, Inc., followed by the name of the new principal debtor, Cyanamid of Great Britain Limited. All further notices regarding the Notes shall refer to both names.
 - A complementary legal notice as well as copies of the Memorandum and Articles of Association of Cyanamid of Great Britain Limited have been registered with the Greffe du Tribunal d'Arrondissement de et à Luxembourg.

Any Noteholder who wishes to inspect copies of the Instrument or the Second Supplemental Agreement mentioned above or the agreement under which it is substituted or to obtain a copy of the Terms and Conditions of the Notes may do so at the specified offices of the Fiscal Agent or the Paying Agents listed below:

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	E.C. Roth, Secretary for AMERICAN CYANAMID COMPANY.	
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Dated 22nd May 1990

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Joint Administrative Receiver

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Joint Administrative Receivers
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Museum House with ROBERT LOWENSON at
by JAMES ROBERTSON presents from
MAY 20 (all times 17.00) from 17.00 to 18.00

SWEDEN

The Financial Times
proposes to publish a
Survey on the above on

July 4th 1990

For a full editorial
synopsis and
advertisement details,
please contact:

Chris Schramming or
Gillian King

on 071-873 3000
or write to him/her at:

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FINANCIAL TIMES
LONDON & NEW YORK

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Gold price hit by central bank selling, says report

CENTRAL BANKS and government investment institutions contributed to the weakness of the gold price last year by selling a net 225 tonnes of the precious metal – the highest level of official sales since 1973.

The biggest seller among the central banks in 1989 was Belgium, which unloaded 187 tonnes or 10 per cent of its

The Soviet Union, beset by delayed . . . Cutting imports will not be easy, but there is no sign currency appear to have failed.

rain buyers under attack

"Obviously this is a disappointment, but we have been tarred with the brush of London failures in the past," said Mr Landais. "When we are up and running I think the trade

The mill's partners, Munsie-shi of Japan and Vancouver-based Crestbrook Forest Industries, last week submitted a new proposal for the C\$1.3m project in an effort to find an alternative to the uncertainty

Over the past few years, the Federal Government recently published tough new proposals to curb pulp mill emissions. The proposed standards aim to control both the generation and release of chlorinated dioxins

called or delayed in various parts of the world in little more than a year, Wood Gundy's Mr Duncan predicts that existing producers may benefit over the next few years from tighter supplies, and three

South African steam coal for years while East Germany and China have been occasional purchasers.

● *ICCH Commodities Yearbook 1990*, edited by Giles Evans, 265, Macmillan Press, pp 362.

selective enquiry and eased 2-4p. Ceylons continued to attract good support at fully firm to clearer rates. There was less demand for offshore teas and prices were irregular. Quotations: Quality 220p (210p), Medium 132p (127p), Low Medium 80p (80p).

FMS - SFE	(Cash Settlement) p/s		
	Close	Previous	High/Low
Jun	131.0	128.0	130.0 129.5
Aug	121.5	121.0	121.0
Oct	123.0	119.0	123.0
Nov	122.0	122.0	121.5

998	88	99	21	37
999	31	68	44	68
1000	15	44	76	91

CRUDE OIL (Light 42,000 US galls 3/barrel)			
	Latest	Previous	High/Low
Jan	19.41	19.73	19.05 19.37
Jul	19.16	19.42	18.35 19.09
Aug	19.04	19.76	18.68 19.45
Nov	20.05	20.29	20.19 20.07

	May 21	May 18	month ago	yr ago
	1906.8	1908.8	1918.5	2011.7
GOLF JONES (Base: Dec. 31 1974 = 100)				
	May 18	May 17	month ago	yr ago
Spot	136.81	136.00	136.00	136.81

	Close	Previous	High/Low	
May	68.25	68.22	69.55	67.70
Jul	68.00	68.37	71.00	67.45
Aug	65.70	66.42	67.65	65.20
Feb	60.02	60.97	61.70	59.95

stan cents/kg.	Turnover 54 (20%) lots of 3,200 kg	1990	SW	Feb	26.18	26.17	26.16	0		May	30.40	31.10	0	32.40
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LONDON STOCK EXCHANGE

Gains sustained in sluggish session

A SESSION of consolidation on the London stock market saw share prices finally capture higher ground as the equity sector moved into the second week of the trading account, which will be featured tomorrow by the latest UK trade figures.

Last week's mood of optimism was sustained by the April total of UK bank and building society lending which, at £23.9bn, was substantially lower than predicted by equity strategists at several leading securities firms. However, the most significant feature yesterday was the fall in trading volume to levels which revived concern over the financial

Account Dealing Dates

First Dealing	May 22	May 23	May 24
Second Dealing	May 23	May 24	May 25
Third Dealing	May 24	May 25	May 26
Fourth Dealing	May 25	May 26	May 27
Fifth Dealing	May 26	May 27	May 28
Sixth Dealing	May 27	May 28	May 29
Seventh Dealing	May 28	May 29	May 30
Eighth Dealing	May 29	May 30	May 31
Ninth Dealing	May 30	May 31	June 1
Tenth Dealing	May 31	June 1	June 2

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week's advance. At its final reading, the FT-SE index was a net 13 points higher at 2,282.1, the best of the day and a considerable turnaround in a market which dipped to 2,261.3 just before lunchtime. Sea volume totalled only 216.2m shares, a far cry from Friday's 594.8m or Thursday's 645.4m.

The market overall appeared more optimistic than the turnover figures suggested. The April bank lending figures found a warm welcome, traders noting that the Government bond market responded favourably. Further improvement in gilts is regarded as a pre-requisite of any prolonged advance in equities.

The mood in equities was also helped by yesterday's firmness in the pound, which acted as an encouraging catalyst for April. Some market strategists are looking for a substantial reduction in the monthly current account trade deficit, perhaps to £1.4bn, from the £2.2bn recorded for the previous month.

With the market still re-establishing itself after the excitement triggered last week by hints of an earlier British move to full membership of the European Monetary System than previously anticipated, there were fewer individual features yesterday.

Shares in Carlton Communications, a volatile performer in recent months, ended sharply lower as higher interim profits found an uncertain reception and some profit-taking pressure in the stock market.

Among the internationals, Reuters reacted from last week's gains, but Glaxo moved ahead on hopes that this week will bring approval in the US from the Federal Drug Administration for Zofran, its anti-nausea drug. Rolls-Royce shares strengthened as traders waited for clearance for the shares to begin trading in US markets in the form of American Depositary Receipts (ADRs).

FINANCIAL TIMES STOCK INDICES

	May 21	May 22	May 23	May 24	May 25	May 26	May 27	May 28	May 29	May 30	May 31	June 1	June 2	June 3	June 4	June 5	June 6	June 7	June 8	June 9	June 10	June 11	June 12	June 13	June 14	June 15	June 16	June 17	June 18	June 19	June 20	June 21	June 22	June 23	June 24	June 25	June 26	June 27	June 28	June 29	June 30	June 31	July 1	July 2	July 3	July 4	July 5	July 6	July 7	July 8	July 9	July 10	July 11	July 12	July 13	July 14	July 15	July 16	July 17	July 18	July 19	July 20	July 21	July 22	July 23	July 24	July 25	July 26	July 27	July 28	July 29	July 30	July 31	August 1	August 2	August 3	August 4	August 5	August 6	August 7	August 8	August 9	August 10	August 11	August 12	August 13	August 14	August 15	August 16	August 17	August 18	August 19	August 20	August 21	August 22	August 23	August 24	August 25	August 26	August 27	August 28	August 29	August 30	August 31	September 1	September 2	September 3	September 4	September 5	September 6	September 7	September 8	September 9	September 10	September 11	September 12	September 13	September 14	September 15	September 16	September 17	September 18	September 19	September 20	September 21	September 22	September 23	September 24	September 25	September 26	September 27	September 28	September 29	September 30	October 1	October 2	October 3	October 4	October 5	October 6	October 7	October 8	October 9	October 10	October 11	October 12	October 13	October 14	October 15	October 16	October 17	October 18	October 19	October 20	October 21	October 22	October 23	October 24	October 25	October 26	October 27	October 28	October 29	October 30	October 31	November 1	November 2	November 3	November 4	November 5	November 6	November 7	November 8	November 9	November 10	November 11	November 12	November 13	November 14	November 15	November 16	November 17	November 18	November 19	November 20	November 21	November 22	November 23	November 24	November 25	November 26	November 27	November 28	November 29	November 30	December 1	December 2	December 3	December 4	December 5	December 6	December 7	December 8	December 9	December 10	December 11	December 12	December 13	December 14	December 15	December 16	December 17	December 18	December 19	December 20	December 21	December 22	December 23	December 24	December 25	December 26	December 27	December 28	December 29	December 30	December 31
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MINES—Contd

Stock	Price	+ or -	Bis Net	C'vr	Yr Gr
Longest Best SM1.....	125	-	-	-	-
Longest 15p.....	90	-	-	-	-

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Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500
Algeria	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00</																																																																																																																																																																										

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1978	\$39		
1979	\$26		
1980	\$26	Corral (P. & W.)	147
1981	\$26	Halibut (J. & J.)	179
1982	\$26	United Fruit	200
1983	\$26	United Drug	145
1984	\$26		
1985	\$26		
1986	\$26		
1987	\$26		
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2100	\$26		

State	19	Royal ELM	39
	20	Rock Dr Ord.	35
	21	Rock Intn	33
	22	Rock Intn	33
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	25	Rock Intn	33
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	31	Rock Intn	33
	32	Rock Intn	33
	33	Rock Intn	33
County	34	Rock Intn	33
	35	Rock Intn	33
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	City	48	Rock Intn
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Town	63	Rock Intn	33
	64	Rock Intn	33
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Village	78	Rock Intn	33
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22	VILLAGE.....	31
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29	Mines	
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● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2122

John Doe, Jane Doe, and Mary Doe

[illegible][illegible]

● Current Unit Trust Prices are available on FT Cityline. To obtain your free

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OFFSHORE INSURANCES

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WORLD STOCK MARKETS

[illegible]

May 21			May 22			May 23			May 24			May 25			May 26			May 27			May 28			May 29			May 30			May 31		
Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change	Symbol	Price	Change			
Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30	+0.01
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Aluminum	1.30	+0.01	Aluminum	1.30	+0.01	Aluminum	1.30																									

CANADA

Sales	Stock	High	Low	Closing	Change	Sales	Stock	High	Low	Closing	Change	Sales	Stock	High	Low	Closing	Change
TORONTO																	
Closing prices May 18																	
Outstanding in cents unless marked C																	
3331 Adair P	300	90		300 + 10		3002 Corbett B	5135	135	135 1/2			1975 Lorvet	821	200	21		
3331 Adair P	318	15		318 + 10		3003 Corby A	330	30	30			1980 MDC A	5171	115	115 1/2		
10170 Agriana E	58 1/2	58 1/2	58 1/2	58 1/2		3009 Corcoran A	5115	115	115 1/2			3440 Southam	824	24	24 1/2		
3331 Adair P	318	15		318 + 10		10000 Crown A	5115	115	115 1/2			7446 Mac Kanda	5171	17	17 1/2		
25022 Alcan	52	52	52	52		3000 Denison A	124	140	140			8002 Maclean	5174	17	17 1/2		
10170 Agriana E	58 1/2	58 1/2	58 1/2	58 1/2		40000 Crown A	5115	115	115 1/2			3007 Marlin A	5171	16	16 1/2		
41500 A Berrill	5223	214	223 1/2	214		14000 Dicksen A	5171	17	17 1/2			2245 Maclean	5114	14	14 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			5162 Mead B	5114	14	14 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Telus A	514	54	54		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			120 Fennell	5171	17	17 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			34750 Shaw	514	13 1/2			
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			30717 Tel Bk	5171	17	17 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			1400 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
41500 A Berrill	5223	214	223 1/2	214		40000 Dicksen A	5171	17	17 1/2			10000 Tel Sun	521	21	21 1/2		
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NEW YORK DOW JONES					INDICES									
May 17	May 18	May 19	May 20		1990		Since completion		May 17	May 18	May 19	May 20	1990	
					HIGH	LOW	HIGH	LOW					HIGH	LOW
294.18	293.91	293.71	293.68		294.64	293.28	291.50	41.22	AUSTRALIA	All Ordinaries (2/1/89)	1769.1	1771.1	1771.1	1769.8
281.45	280.91	280.71	280.68		281.93	280.57	278.00	33.93	All Metals (2/1/89)	1759.9	1761.9	1761.9	1758.8	
90.95	90.94	90.95	90.96		91.04	90.88	90.79	0.25	AUSTRIA	Vienna Index (2/1/89)	540.10	541.47	541.14	540.79
1280.85	1277.89	1277.94	1277.98		1281.19	1276.85	1272.01	4.18	Belgium	Brussels SE Index (2/1/89)	4153.70	4160.05	4163.30	4166.44
214.82	214.73	214.89	214.85		215.19	214.75	214.21	0.98	Brazil	Bovespa SE Index (2/1/89)	345.30	346.12	346.25	346.16
					215.20	214.76	214.22	0.98	Canada	TSX 300 Index (2/1/89)	357.25	357.53	357.53	357.25
					215.20	214.76	214.22	0.98	Denmark	Copenhagen SE Index (2/1/89)	391.39	391.62	391.62	391.39
					215.20	214.76	214.22	0.98	Finland	Helsinki General (2/1/89)	577.2	574.3	574.3	574.3
					215.20	214.76	214.22	0.98	France	CAC 40 Index (2/1/89)	352.38	352.65	352.65	352.38
					215.20	214.76	214.22	0.98	Germany	DAX 30 Index (2/1/89)	2191.37	2191.37	2191.37	2191.37
					215.20	214.76	214.22	0.98	Italy	FTSE 100 Index (2/1/89)	1711.78	1711.78	1711.78	1711.78
					215.20	214.76	214.22	0.98	Japan	Nikkei 225 Index (2/1/89)	2950.85	2950.85	2950.85	2950.85
					215.20	214.76	214.22	0.98	Netherlands	AEX 100 Index (2/1/89)	1646.05	1646.05	1646.05	1646.05
					215.20	214.76	214.22	0.98	Spain	IBEX 35 Index (2/1/89)	720.65	720.65	720.65	720.65
					215.20	214.76	214.22	0.98	Sweden	SSE 100 Index (2/1/89)	457.17	457.17	457.17	457.17
					215.20	214.76	214.22	0.98	Switzerland	SIX 100 Index (2/1/89)	1261.90	1261.90	1261.90	1261.90
					215.20	214.76	214.22	0.98	Taiwan	TSE 100 Index (2/1/89)	6942.99	6942.99	6942.99	6942.99
					215.20	214.76	214.22	0.98	UK	FTSE 100 Index (2/1/89)	345.30	346.12	346.25	346.16
					215.20	214.76	214.22	0.98	USA	Dow Jones Industrial Average	294.18	293.91	293.71	293.68
					215.20	214.76	214.22	0.98	West Germany	DAX 30 Index (2/1/89)	2191.37	2191.37	2191.37	2191.37
					215.20	214.76	214.22	0.98	Yugoslavia	Belgrade Index (2/1/89)	100.00	100.00	100.00	100.00
					215.20	214.76	214.22	0.98						
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					215.20	214.76	214.22							

Toronto Composite and Metals—2000, Toronto Index based 1975 and Montreal Portfolio (A) 83, Excluding banks, Industrial, plus Utilities, Financial and Transportation, 60 Closed, 60 Unavailable.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on Page 43



NYSE COMPOSITE PRICES

[illegible]**NASDAQ NATIONAL MARKET**

307 prices May 21


[illegible]

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AMERICA

Rally in futures boosts equities to record level

Wall Street

A BURST of programme buying in an otherwise thin market pushed the equity market sharply higher yesterday, leaving the Dow Jones Industrial Average at another record, writes Janet Bush in New York.

The Dow closed 34.77 points higher at 2,943.98 on moderate volume of 167m shares. The Dow had closed 11.80 points lower on Friday at 2,919.91.

The broadly-based Standard & Poor's 500 index was also sharply higher, quoted up 3.85 points at 358.49 and the Nasdaq Composite index of over-the-counter stocks was 4.53 points higher at 452.84, helped by a rally in cable television and some computer software stocks.

There appeared to be no particular trigger for the broad futures-related rally yesterday morning. Traders said that there were a couple of large buy orders for Standard & Poor's 500 futures which, because trading was quiet, had an exaggerated impact.

As the futures surged to large premiums to their underlying stocks in the cash market, traders sold stock index

futures and bought stocks. The rally came in isolation from other financial markets - evidence that it was almost entirely technical in nature. The Treasury bond market was only marginally higher with the long bond quoted a point higher for a yield of 8.68 per cent.

Bond prices hardly moved throughout the session. Speculation about the direction of interest rates has waned because the US Federal Reserve has made it fairly clear that monetary policy is still on hold in spite of what were interpreted as weak economic figures for April and some sense of an improvement in inflationary expectations.

One group of stocks which attracted interest yesterday were cable television companies. The industry's annual trade show began yesterday in Atlanta amid talk that re-regulation by Congress would not be stringent.

Most companies with cable television interests were higher yesterday including Time Warner which jumped \$4 to \$99.4. On the over-the-counter market, Tele-Communications A shares jumped \$1 1/4 to \$157 and Comcast added \$1 1/4 to \$144.

There was also some interest in the computer sector yesterday after the proposed merger of Lotus Development and Novell fell apart, an arrangement which analysts felt would provide a balance to the power of Microsoft in the personal computer software market.

There was some speculation yesterday morning that there may be a sweetened merger deal after Novell said it was interested in reopening negotiations. Microsoft jumped \$2 to \$70 1/4 while Lotus fell \$1 to \$33 1/4 and Novell jumped \$1 to \$42.

Bank of Boston added \$1 to \$14 after the bank put in the winning bid last Friday for \$340m in deposits from the failed Merchants Bank, a subsidiary of Merchants Capital.

GEICO, the auto insurance company, gained \$2 to \$152 1/2 on speculation that Mr Warren Buffett, the investor, may be considering selling his 44 per cent stake in the company. Synergis dropped \$1 1/4 to \$11 after the company said that Hoffman-La Roche would no longer support research for a potential treatment for rheumatoid arthritis.

Toronto was closed yesterday for a holiday.

Equity recovery edges towards 1990 high

MARKETS IN PERSPECTIVE

	% change in local currency †			% change	% change	% change
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1989	Start of 1988
Austria	-3.63	+10.99	+78.19	+32.16	+29.11	+35.35
Belgium	+1.29	+0.97	-3.62	-5.43	-5.83	-1.27
Denmark	+2.57	+0.31	+9.30	-0.30	+0.04	+4.68
Finland	+5.85	+3.57	-12.75	+2.42	+1.28	+5.18
France	+0.32	-1.01	+22.63	+3.16	+2.48	+7.44
W. Germany	-1.40	-1.47	+38.00	+5.20	+3.01	+7.99
Ireland	+5.40	-4.17	+8.46	-3.18	-3.40	+1.27
Italy	+5.58	+2.08	+16.81	+3.07	+2.57	+7.55
Netherlands	+1.92	-1.21	+4.19	-4.61	-6.14	-1.99
Norway	-0.50	+4.40	+19.17	+17.59	+15.88	+21.49
Spain	+0.71	+2.52	-6.18	-5.95	-4.48	+0.13
Sweden	+0.75	+8.78	+17.40	+2.84	+0.56	+5.53
Switzerland	-0.01	+5.24	+15.35	-1.88	+2.77	+7.74
UK	+4.07	+3.16	+1.80	-5.87	-4.82	-2.57
EUROPE	+1.74	+1.25	+11.31	-1.80	-2.10	+2.83

Australia	-0.57	-0.72	-3.17	-5.55	-16.93	-12.98
Hong Kong	-1.39	-4.38	-12.54	+3.42	-1.13	+3.68
Japan	+1.51	+7.14	-8.01	-18.60	-26.98	-23.44
Malaysia	+2.66	+4.84	+23.02	-1.54	-6.21	-1.57
New Zealand	+3.71	+3.04	-3.71	-9.09	-15.45	-11.35
Singapore	+3.50	+8.09	+19.74	+11.87	+9.35	+14.54
Canada	-0.18	+4.05	-2.25	-0.13	-14.78	-10.83
USA	+0.74	+3.84	+10.51	+0.13	-4.49	+0.73
Mexico	+13.47	+22.05	+200.40	+62.05	+47.25	+54.14
South Africa	+0.03	+3.32	+38.31	+9.00	-7.48	-2.98
WORLD INDEX	+1.34	+4.63	+2.28	-8.13	-13.81	-8.43

1 Based on US dollar. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

EUROPE

Frankfurt falls on monetary union concerns

THE FALL in Frankfurt and the surge in Milan, both on interest rate considerations, were poignant features yesterday on a Continental bourse which has tended to see these markets' strengths and weaknesses in quite another way, writes Our Markets Staff.

FRANKFURT's bond and bond futures markets went soft on worries about interest rates and monetary union; equities followed down reaching a critical level in the recent history of the DAX index, and threatening to test another.

Dealers, analysts and economists were doing some serious thinking about last West German 10-year government bond issue, and the 9 1/2 per cent interest rate coupon which accompanied it. Subsequent consideration of the German Unity Fund, and the strain which additional government funding to finance the reconstruction of East Germany could put on the enlarged country's financial system, saw the Bundesbank's average bond yield rise eight basis points to 9.00 per cent.

The response of the equity market to a 1 1/2 drop to 771.70 in the FAZ index at mid-session and one of 32.41 to 1,811.16 in the DAX at the close. Volume slid from DM7.5bn to DM5.5bn.

The DAX last hit bottom with an intraday low of 1,808.78 on April 27, bouncing back over the 1,900 mark in relatively short order. Before that, the declines it saw in January and February took it below 1,800, and dealers yesterday were talking about a resistance level of 1,750.

Positive news from the corporate sector had little effect on share prices. The energy, chemicals and aluminium group Viag posted a 14 per cent rise in first quarter net profits and promised a higher 1990, but the shares fell DM6 to DM40.8. In chemicals, Bayer fell DM5.20 to DM29.30 although its 50% acquisition of the Polysar rubber division of

SOUTH AFRICA

GOLD shares recouped some of Friday's losses on a firmer bullion price but this was offset by violence in the Witwatersrand centre of the Free State gold fields. De Beers rose R1.60 to R106.75 on more reports that it would sever ties with its domestic operations.

By William Cochrane

THE WORLD'S equity markets extended their recovery last week, a rise of 1.3 per cent trimming the year's loss to 8.1 per cent so far. That fall was virtually all in Japan. WI Carr of the Banque Indosuez Group observes in its weekly review that the FT-Actuaries World Index, excluding Japan, has risen to within a percentage point of a new 1990 high.

Japan actually had a good week on balance, starting well on the strength of the yen against the dollar, more or less holding on to its gains in nervous trading thereafter, and closing the week with a 1 1/4 per cent gain.

Europe was a mixture. The UK was adding new shades of meaning to the old London adage - "Sell in May and go away (but presumably not too early in the month)" - as continental Europe has been described as hesitant. Excluding the UK, Europe made a rise of just 0.4 per cent last week. Within that, there were some winners. Finland,

bombarded late in 1989 and again just 10 days ago, has enjoyed an apparent recovery of overseas interest following the drop in Helsinki's interest rates from more than 16 per cent at the end of last year to around 13 per cent in the middle of last week.

Ireland featured for the second time in the month, but this time with a 3.4 per cent rise, compared with the weekly fall of 4.28 per cent which took it into prominence a fortnight ago. Citicorp's Mr Adrian O'Carroll says that the market is now trading at a discount to its historic average p/e ratio and that earnings growth is expected to remain impressive by international standards.

Country rotation seems to be the name of the game. Neither Finland nor Ireland figured among the nations favoured by international investment money at this time a week ago; Norway, Sweden and Switzerland, which were doing well, seem to have fallen out of contention.

Italy is another newcomer to the winners list. The Milan bourse closed the old account well last week, and started the

new one in good form. High liquidity in the bond market spilled over into equities, and there may have been some anticipation of the government package of spending cuts on Friday, which was followed by a cut in interest rates over the weekend.

The week's star performer was Mexico, which extended a phenomenal run in fine style with a rise of 13 1/2 per cent in local currency terms. There is much concern over the economy's inflation rate, a yawning current account deficit, and labour problems; but against that, *afficionados* of the market can point to a rise of over 50 per cent in the market, in US dollar terms, this year after one of more than 100 per cent on the same basis in 1989.

The Pacific Basin, ex-Japan, showed a fall of 0.1 per cent on the week. New Zealand and Singapore both came out with rises of more than 3 per cent - the former mainly on big block orders from overseas at the start of the week and the latter, after a mid-week lull following seven days of gains, seeing foreign interest once again last Friday.

Nikkei falls as hopes for early US rate cut fade

Tokyo

EQUITIES started the week in a depressed mood as hopes of an early cut in US interest rates diminished. A subsequent decline in the yen and weakness in the bond market combined to take the Nikkei average below the 32,000 mark in listless trading, writes Michiko Nakazono in Tokyo.

Technically, the market was also looking vulnerable, now that the gap between the Nikkei average and its 26-day moving average was at a dangerously high level of over 5 per cent, analysts said.

Share prices yesterday opened lower and fell throughout the day, aggravated by selling in arbitrage with the futures. Rumours of heavy selling from a major investment trust added to the gloom. The Nikkei ended 245.97 lower at 31,755.05 after hitting a high of 31,987.88 to a low of 31,605.35.

Decliners led gainers by 665 to 270 and 187 issues were unchanged. Turnover shrank to 350m shares from 480m on Friday. The Topix index of all listed stocks lost 17.44 points to 3,780.82 and in London, the ISE/Nikkei 60 index fell 3.27 to 1,764.65.

"The market is not in a very healthy state," said Mr Morihiko Iida at Morgan Stanley Investment Advisory. The depressed volumes also showed that sentiment was low.

Interest rate sensitive issues fell, with the Industrial Bank of Japan down Y110 to Y2,220 and Sumitomo Bank falling Y80 to Y2,660. But the environmental theme remained in favour. Ebura, the industrial machinery maker which makes desulfurisation equipment for exhaust gas and garbage disposal equipment, surged Y130 to Y2,130. It topped the actives list with 16.5m shares. Chiyoda, a leading industrial machinery maker, gained Y120 to Y2,520 in active trading. Companies with good earnings were also selectively purchased.

sued. Daihoku, which specialises in handling equipment and automatic conveyance systems for factories, advanced Y40 to Y2,170 after reporting higher than expected profits. Electronics components makers attracted attention as investors looked for trading ideas. Mitsumi Electric gained Y130 to Y1,550 in active trading while Nichicon moved up Y80 to Y1,560.

In Osaka, profit-taking set in. The OSX average lost 178.82 to 34,455.13 and listless trading took volume down to 34.4m shares from 43.9m on Friday.

Roundup

PACIFIC Rim markets were mostly lower and the few which managed to advance, did so with little conviction and in thin turnover.

Australia

All-Ordinary index

AUSTRALIA dropped further on worries about corporate earnings, particularly from the financial sector. The All Ordinaries index fell 20.1 to 1,458.0. Turnover rose to 34m shares or AS135m after Friday's 78m shares or AS173m. Among weak banking stocks, Westpac shed 19 cents to AS4.67 in heavy volume of 4.9m shares. BHP fell 20 cents to AS8.82 while Elders IXL added 1 cent to AS1.85 following news on Friday that John Elliott, the chairman, had retired.

NEW ZEALAND sympathised with Australia. The Bar-

clays index fell 17.13 to 1,761.35 and turnover slipped to 7.5m shares or NZ\$11.7m from 8.3m or NZ\$12.1m on Friday.

TAIWAN gave up early gains to close lower for the fourth consecutive session as big players sold heavily. The weighted index tumbled 424.07, or 5.72 per cent, to 6,982.89. Turnover eased to NT\$71.36bn from Friday's NT\$72.81bn.

MANILA staged an unconvincing rebound. A 3 1/2 per cent decline in the first quarter earnings of San Miguel Corp and a lack of follow-through buying brought the market off the day's highs. The composite index rose 7.52 to 834.18.

SEOUL rose in thin volume as investors took a fresh look at the Government's market-supporting measures. The composite index rose 5.13 to 770.28, on turnover of 100.1bn, won after 113.8bn won on Saturday, about half the normal level.

HONG KONG ended mixed in the lowest turnover for three weeks on continued caution before the first anniversary of the June 4 massacre in Peking. The Hang Seng index rose 4.94 to 2,990.69 while volume narrowed to HK\$1.9bn from HK\$1.25bn on Friday.

SINGAPORE rose on foreign buying of blue-chips. UIC was the most actively traded stock, with 7.16m shares traded on news that it had got control of Singapore Land. But UIC came off highs of \$82.85 to close 7 cents higher at \$82.50 amid speculation that it would soon have a big rights issue. The Straits Times index rose 18.11 to 1,570.99. Turnover fell to 71.8m shares or S\$32m on Friday.

KUALA LUMPUR rose on bargain-hunting. The composite index rose 4.5 to 570.63 while turnover eased to 35.4m shares from 38.5m on Friday.

BANGKOK hit new highs on domestic and foreign buying, especially Taiwanese, on news that the Government would relax the country's foreign exchange controls. The official SET index jumped 31.32 to close at a record 957.96.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	MONDAY MAY 21 1990	FRIDAY MAY 18 1990	DOLLAR INDEX
NATIONAL AND REGIONAL MARKETS	US Dollar Index	US Dollar Index	US Dollar Index
Figures in parentheses show number of stocks per grouping			
Australia (61)	130.56	130.56	130.56
Austria (19)	120.78	120.78	120.78
Belgium (61)	151.08	151.08	151.08
Canada (120)	135.82	135.82	135.82
Denmark (84)	252.99	252.99	252.99
Finland (25)	139.63	139.63	139.63
France (128)	186.83	186.83	186.83
West Germany (83)	128.88	128.88	128.88
Hong Kong (45)	121.85	121.85	121.85
Ireland (17)	182.71	182.71	182.71
Italy (98)	106.06	106.06	106.06
Japan (454)	140.80	140.80	140.80
Malaysia (35)	228.00	228.00	228.00
Mexico (13)	101.92	101.92	101.92
Netherlands (40)	139.50	139.50	139.50
New Zealand (17)	85.27	85.27	85.27
Norway (23)	241.52	241.52	241.52
Singapore (25)	206.50	206.50	206.50
South Africa (60)	194.58	194.58	194.58
Spain (42)	161.31	161.31	161.31
Sweden (35)	202.00	202.00	202.00
Switzerland (68)	99.60	99.60	99.60
United Kingdom (305)	153.76	153.76	153.76
USA (537)	144.88	144.88	144.88
Europe (988)	145.00	145.00	145.00
Nordic (119)	138.27	138.27	138.27
Pacific Basin (860)	147.64	147.64	147.64
Euro-Pacific (1645)	146.96	146.96	146.96
North America (657)	144.00	144.00	144.00
Europe Ex. UK (650)	138.74	138.74	138.74
Pacific Ex. Japan (208)	127.17	127.17	127.17
World Ex. US (1838)	147.25	147.25	147.25
World Ex. UK (2070)	144.18	144.18	144.18
World Ex. So. Af. (2315)	144.88	144.88	144.88
World Ex. Japan (1821)	144.88	144.88	144.88
The World Index (2375)	146.16	146.16	146.16

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CONSOLIDATED 1989 ACCOUNTS

NET INCOME UP 51 %
NET INCOME PER SHARE : FRF 40.13

On May 15, 1990, the Board of Directors of Compagnie Financière de Suez, under the chairmanship of Mr. Renaud de La Genière, approved the consolidated accounts for 1989.

After having acquired a controlling interest in Société Générale de Belgique in 1988, the Suez Group pursued its development strategy in 1989 by purchasing a controlling interest in Victoire-Colonia insurance group.

Financial highlights during the year included :

- The full consolidation of Société Générale de Belgique, which has adopted the same accounting methods and principles used by the Suez Group. For comparison purposes, the 1988 accounts have been restated to reflect these changes.

- Groupe Victoire's consolidation by the equity method through September 30, 1989, the date of its acquisition, and full consolidation for the remainder of the year.

Consolidated data for 1989 are given below along with restated 1988 figures :

(in FRF billions)	1989	1988 (restated)	% change
Total assets	724.44	468.48	+ 55 %
Stockholders' equity and minority interests	84.76	53.60	+ 58 %
Stockholders' equity	37.71	29.58	+ 27 %
Net income before minority interests	9.04	3.19	+ 183 %
Net income	4.06	2.68	+ 51 %

Consolidated net income after minority interests rose faster than the average number of outstanding shares, which increased by 31 % from 77 million to 101 million last year. As a result, consolidated net income per share rose by 15 % from FRF 35.01 to FRF 40.13.

90 high

SECTION III

FINANCIAL TIMES SURVEY



Canada's richest region is confronting issues, such as equal pay and anti-smoking laws, that have yet to arise in many societies. However, the Liberal Government in Ontario acknowledges that its policies are not always liked by the business community. Bernard Simon reports

The good life gets better

THE CANADIAN province of Ontario is one of those fortunate parts of the world where people can take democracy, stability and a decent standard of living for granted.

As a result, while Europe grapples with a new economic and political order, and Asia, Africa and Latin America still struggle with inequality and poverty, the residents of Canada's richest region have the luxury of concentrating on the things that make a good life even better.

Ontario is unobtrusively confronting issues which have yet to appear in many other societies. Inflation-indexed pensions, tough anti-smoking rules, equal pay to men and women for work of equal value, an employment agency for the disabled, household garbage recycling, detailed reporting of hazardous substances in offices and factories, no-fault motor car insurance — these are some of the issues which have recently engaged Ontario's Liberal Government and its voters.

One political observer in Toronto says that Ontario is in the enviable position of "seeing the problems the Americans get into, and having the

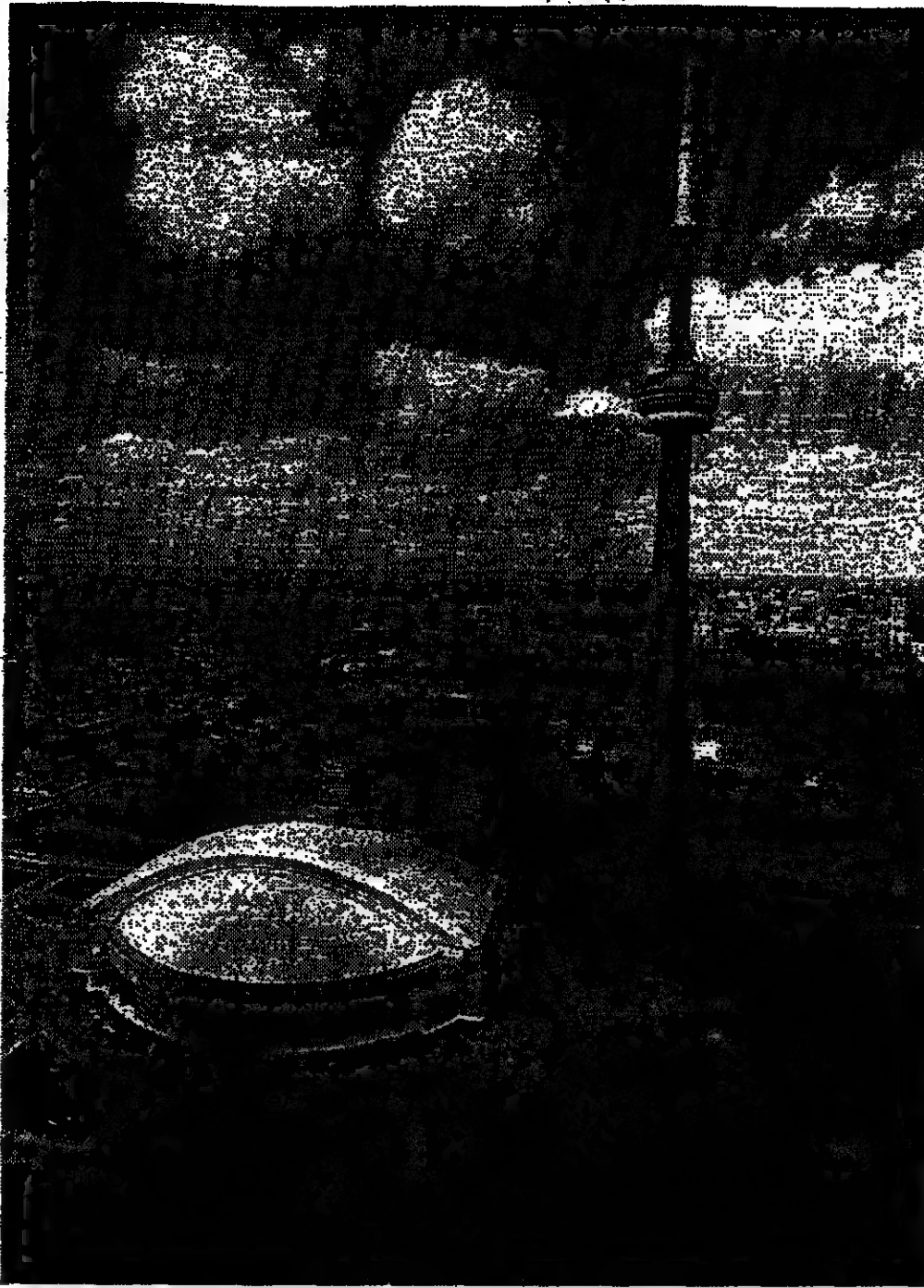
chance to do some things a little differently."

The provincial premier Mr. David Peterson says: "We're not trying to compete with Mexico. We don't want to be a Mexico." The impetus for Ontario's leading-edge policies has come from the financial resources generated by the good times in the 1980s, coinciding with the election in 1985 of a Liberal Government with much firmer ideas about issues than its Conservative predecessors.

The long economic upswing enabled Ontario to cement its position as Canada's economic powerhouse. The province contributes more than 40 per cent of the country's gross domestic product, including half of its manufacturing output.

Ontario's budget, which this year totals C\$44.5bn, makes it the fourth biggest Government in North America after the US and Canadian federal Governments, and California.

The province's population rose by almost 10 per cent between 1981 and 1988, double the rate in Canada's other nine provinces. Migrants to the "Golden Horseshoe" — the strip along Lake Ontario stretching from the steel city



SkyDome and the CN tower

Glenn Gaudy

ONTARIO

of Hamilton in the west to Oshawa, site of General Motors' big assembly plants, in the east — have stoked demand for housing and infrastructure.

In particular, the separatist scare in Quebec in the late 1970s helped Toronto displace Montreal as Canada's premier financial centre. According to

Toronto consultancy Henson Consulting, seven of Canada's 10 fastest-growing cities between 1985 and 1988 are in Ontario, with Ottawa top of the list. One in every six houses built in Canada in the past few years has been put up in Toronto.

In 1989, Ontarians earned an average of C\$17,900 each, com-

pared to the national average of C\$14,800. On the political front, Ontario was quietly governed for 43 years by progressive Conservative Governments with a canny instinct for not rocking the boat by following rather than leading public opinion.

That changed in 1985 when the long-serving Mr. Bill Davis

was succeeded by a less agile, small-town politician who left his flank exposed to a rejuvenated Liberal Party under Mr. Peterson, a stylish and bright former businessman from the university and medical centre of London in the south-western corner of the province.

With an array of promises, the Liberals reached out in the 1985 election to the sections of Ontario's increasingly diverse and urban society which had little in common with the largely Anglo-Saxon, business-oriented Conservative Government. The groups the Liberals directed their appeal to in 1985 — women, ethnic communities, environmentalists, younger people — are the ones they have set out to please in the past five years.

Several activist women have been named as judges, others have been put on police commissions, long a male preserve. Mr. Peterson's cabinet has included a black, a Chinese, an Italian and several women. He was the first provincial premier to appoint a native Canadian as head of a Government department.

The Liberals' interventionist policies take the form, in the words of one of Mr. Peterson's advisers, "not so much of state capitalism as in dictating the quality of service to the public."

Ontario's anti-pollution and workplace safety laws, for example, are among the most stringent in North America. As Mr. Peterson sees it, low taxes are a lesser priority than "the civility, the safety, the clean streets, the good schools, and the fact that you can get a bypass quickly. People say they want to live here and I'm enormously proud of that."

Not surprisingly, the Liberals have had an uncomfortable relationship with the province's business community. Mr. Peterson opposed the US-Canada free trade agreement, which came into force last year, and continues to identify Ontario's heavy dependence on trade with the US as one of the structural weaknesses of its economy. He has an ambivalent view towards foreign investment.

"I'm very happy to have foreign investment in new things," he says. "I'm not particularly anxious to sell off our real estate and our resources." Mr. Peterson, who always wears a red tie but quickly loosens it when he is away from the TV cameras, says that business "tends to be as emotional a lobby group as I deal with in politics."

He acknowledges that "maybe, we're a little ahead of our time." But he notes that the business community "didn't like us when we

brought in acid rain controls. Today, they're all running ads saying 'Aren't we environmentally friendly. We're ahead of the pack.'"

To their credit, the Liberals have not been blinded by ideology. The most recent provincial budget included a substantial tax break for manufacturers, and the Government is now using the free trade agreement as a selling point to foreign investors.

"I still think it was a dumb idea," Mr. Peterson says of the FTA. "But it's a fact of life. When you've got a lemon, you've got to make lemonade out of it."

While the Liberals may not be favourites in Toronto's boardrooms, they score consistently high ratings in public opinion polls. With much of the provincial opposition in disarray, Mr. Peterson will thus have little trouble winning the next election, likely to be called within the next few months.

Ontario's good fortune is both envied and resented in the rest of Canada. While most other Canadians would love to share its prosperity, they are deeply suspicious of the power that comes with it.

The hostility has bubbled up forcefully in the past three years as the whole country has had to share the burden of towering interest rates, designed chiefly to take the heat out of the southern Ontario economy.

One result of this resentment is that Ontario's role in national politics is not as lopsided as its economic muscle might suggest. Although more than a third of federal MPs come from Ontario, the province's last native son to be prime minister of Canada was Mr. Lester Pearson, almost 30 years ago.

The premier of Ontario is always an important ally in national politics, but he would find it difficult to force his own ideas on the rest of the country.

Mr. Peterson has thus been content to play the quiet broker's role in the current impasse over Canada's constitutional future, but with the clear goal of seeking an accommodation between Quebec and the rest of the country.

Mr. Peterson, who speaks French and is on good terms with Quebec premier Mr. Robert Bourassa, is a strong supporter of the Meech Lake accord, the agreement which recognises Quebec as a distinct society, but whose ratification is being held up by objections from three other provinces: Manitoba, New Brunswick and Newfoundland.

Mr. Peterson, describing himself as a "moderate voice" in the constitutional debate, notes

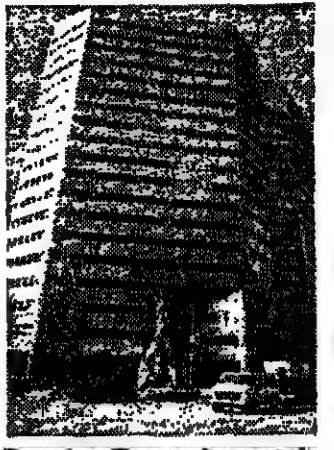
IN THIS SURVEY

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David Peterson

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Toronto offices: where rents are as much as C\$50 a sq ft

that Canadians' preoccupation with their national identity is as old as the 124-year old confederation.

"We always get through, with or without Meech Lake," he says, adding that "we're better off keeping the country together than letting it split up."

He notes that: "The danger really is not for foreign investment, the danger is us as Canadians engaging in a self-absorbed constitutional navel-gazing that we put all our creative energies into, when we should be thinking about how to take on the world."



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Canadian
Canadian Airlines International

ONTARIO 2

The area around Toronto is witnessing a slowdown in business activity

High interest rates take some of the heat out of the region's economy

CANADA'S HIGH interest rates are hitting the bull's eye: the over-heated economy of southern Ontario.

After enjoying some of the strongest growth in the Western world during the mid and late 1980s, the area around Toronto has slid into a phase in which business activity is not only slower than it was, but also no better than many other parts of the country.

Toronto-Dominion Bank forecasts that Ontario's gross domestic product will rise by 1.4 per cent in real terms in 1990, down from an average of 4.4 per cent in the previous six years.

This year's expected growth rate is on a par with the national average; above the Atlantic provinces, but below Alberta and British Columbia.

While some sectors continue to invest in new capacity, two of the province's most powerful engines of growth during the 1980s, the automotive industry and the housing market, have cooled off rapidly.

Ontario is home to more than four-fifths of Canada's motor industry. The province's steelmakers and a wide range of other manufacturers depend heavily on auto industry orders. According to Statistics Canada, the Ontario transport equipment industry's capital spending will fall by more than a third this year.

Canada's two leading steel producers, Dofasco and Stelco, whose main facilities are in Hamilton, Ontario, both reported dismal first-quarter earnings - in Stelco's case, a loss.

Housing prices in Toronto went up faster than anywhere else in Canada in the 1980s, but

the market in Canada's biggest city is now in a steeper dive. Toronto Dominion expects Ontario housing starts, which account for four in every 10 houses built in Canada, to dip to 75,000 units next year, 30 per cent below their 1987 peak.

Prospects of economic activity in some other parts of the province are under strain. Pulp and paper mills centred around Thunder Bay in north-west Ontario are feeling the squeeze from weaker markets.

The two uranium producers at Elliot Lake in north-east Ontario are cutting back sharply in response to soft prices and high costs. The petrochemical industry centred at Sarnia on the shores of Lake Huron is also feeling the pinch.

The economic slowdown raises policy issues for the Peterson Government which has both taxed heavily and spent heavily to fulfil its promises of expanded social programmes. Revenues grew by 86 per cent between 1985 and the fiscal year which ends on March 31, 1991.

Outlays have gone up almost as fast - though slowly enough to allow treasurer Mr

Robert Nixon to produce modest budget surpluses for the past two years. At a time when the Federal Government has been trimming its transfers to the provinces, Ontario's strong growth rate combined with tax increases of its own have made up the shortfall.

While the contribution of federal payments has shrunk

Two of the province's most powerful engines of growth, the automotive industry and the housing market, have cooled off rapidly

from 16.3 per cent of Ontario's revenues in 1986-87 to 12.1 per cent in the present fiscal year, personal income taxes now deliver 32.6 per cent of the total, up from 29.2 per cent four years ago.

The retail sales tax brings in proportionately more. The province's debt burden has contracted from a peak of 18 per cent of GDP in 1984 to 13.5 per cent this year. In absolute terms, the debt is expected to edge down slightly this year.

Mr Nixon says there is unrelenting pressure to push up spending on secondary education, health care and municipal

services. Meeting those pressures, and at the same time maintaining a balanced budget, is bound to be more difficult over the next year or two as growth slows and Ottawa continues to tighten the screws on the provinces.

Ontario has begun to put its own squeeze on levels of Government lower down the ladder.

der. Although overall transfers to municipalities are going up by 11 per cent this year, unconditional grants have been capped at 4.8 per cent.

The advent of the Federal Government's 7 per cent Goods and Services Tax (GST) next January will have a mixed impact. Mr Nixon hopes that prices of many products, including cars, will drop as the GST replaces a 15 per cent manufacturers sales tax.

On the other hand, the mills and bolts of implementing the new tax have been greatly complicated by the failure of the provinces and Ottawa to

agree on a joint collection system for provincial sales taxes and the GST. Some items, such as bottled water, are taxed by the province but exempt from the GST, and vice versa.

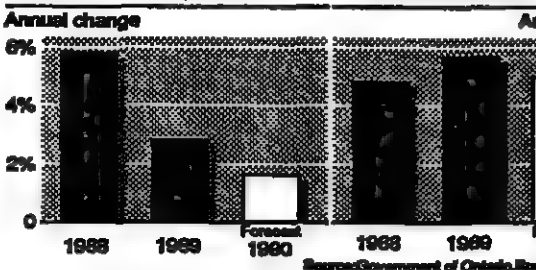
Discount coupons are treated differently by the two systems. The joy of Canada's tax system for the provinces is that, in Mr Nixon's words, "we get to spend the money, and they [the federal government] get to collect it."

Once the next election in Ontario is out of the way however, the Peterson Government is likely to allow pragmatism to triumph over politics by agreeing to combine collection of the GST and the provincial sales tax. The introduction of the unpopular GST plus the chilly economic climate are a disincentive to Governments at all levels from raising taxes over the next year or two.

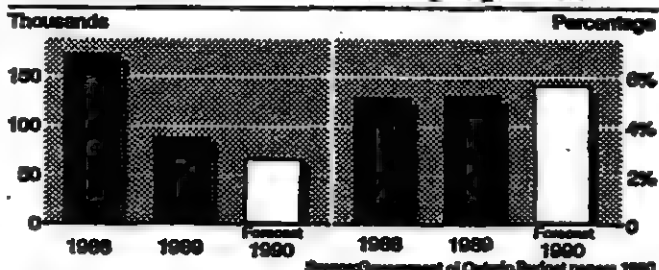
But Ontario's Liberals will probably prefer to tip the scales towards heavier borrowing than allow much slippage in their political agenda. "We have the financial strength to run contra-cyclically," Mr Peterson asserts.

Bernard Simon

Real GDP growth CPI inflation



Job creation Unemployment



Bernard Simon on investment

Free trade raises doubts

AS Premier Mr David Peterson was raising doubts in 1987 and 1988 about the US-Canada free trade agreement, his officials were promoting Ontario as a springboard for foreign companies wanting to do business south of the border.

The link between investing in Ontario and trading with the US has become even closer since the FTA was implemented on January 1, 1989. With a growing number of Canadian and US companies treating the North American market as a single entity, several foreign investors, such as British Gas and Hillsdown Holdings, the US food group, have been attracted to Ontario at least partly by the prospect of expanding across the border.

The integration of US and Canadian operations can work both for and against Ontario. On the one hand, Gerber Products, North America's biggest babyfood maker, decided last year that, instead of spending heavily to spruce up an old factory in Niagara Falls, Ontario, it would supply Canada from an under-used plant near Grand Rapids, Michigan. The Michigan plant can turn out a wider variety of babyfoods than the Niagara Falls facility,

giving the company a weapon to increase its 30 per cent market share in Canada.

By contrast, Connecticut-based hardware manufacturer Stanley Works will invest C\$57m over the next five years in a factory near Ottawa that supplies North America (and other parts of the world) with tool boxes and roller coasters. Mr Dave Talbot, president of Stanley's Canadian tool division, says succinctly that the FTA has "kicked Canadian business in the derriere."

Ontario's Industry, Trade and Technology Ministry switched strategy at the beginning of this year to reflect the importance of the US market to foreign investors in Canada.

The previous policy, described by Mr Barton Hildebrand, the ministry's director of trade and investment support, as "as much what you can, or invest in automobiles, given way to a strategy focused on the US."

The ministry has begun a study to identify sectors in the US with a high penetration of imports.

It will measure the demands of these businesses against Ontario's strengths, and then plans to look for companies



The floor of the Toronto stock exchange which accounts for 78% of shares traded in Canada

which can use the latter to satisfy the former, either in the form of joint ventures with Canadian companies or new investments.

Mr Hildebrand expects that much of the wooing of investors will be centred on the same sectors where his ministry's trade promotion efforts are concentrated, including aerospace, industrial and electrical components, mining equipment, telecommunications and the business of the environment, which is one of the province's fastest-growing sectors.

Although Ontario has much to offer the foreign investor, the province faces a growing number of obstacles in attracting new business. Some of its selling points remain as pertinent as ever. High living standards and exceptionally good amenities (for both business and leisure) make it easy for expatriates to live and work in Ontario.

Business can count on an efficient infrastructure and a skilled, well-educated and increasingly cosmopolitan labour force. The April 1990 provincial budget included a significant incentive to industry by doubling to 30 per cent the tax deduction allowed on new manufacturing machinery and pollution control equipment. But promoting Ontario on the basis of Canada's famed political stability and the province's strong economy has become more difficult lately.

A question mark will hang over the political climate until the impasse over the Meech Lake constitutional accord is resolved. For the next year or so at least, economic growth is likely to be sluggish.

The environment for business is also less attractive than it was a few years ago. "There is a sense that the bloom is off the rose a little bit, and there's a difficulty in seeing how far that's going to go," says Mr James Carnegie, executive director of the Ontario Chamber of Commerce.

Foreign investors appear to be especially unsettled by the flurry of extra demands made by the Peterson Government on business in the past four years, including new rules to pay men and women equal rates for work of equal value; a payroll tax to fund the province's superb health-care facilities; tighter anti-pollution regulations; and moves towards compulsory indexing of company pensions to inflation.

The Government's ambivalent policies are reflected in provincial treasurer Mr Robert Nixon's comment that "we feel we were elected to increase expenditures on social programs. At the same time, we understand the importance of making this a good place to invest."

Mr Nixon says that "we're

not trying to get votes (from business). We're trying to get the investment that will keep our economy growing, with the jobs that come with that."

Investors' concerns about Ontario surfaced forcefully in a report on the competitiveness of the North American automotive parts industry, published in March 1990 by the management consultancy Booz Allen and Hamilton.

The study, commissioned by the Automotive Parts Manufacturers Association of Canada, concluded on the basis of a survey of industry executives that "the US south-east is the best location for a new plant investment and Ontario is the worst."

Booz Allen said auto parts workers in Ontario cost their employers an average of C\$19.64 an hour (including social security, health care, workers' compensation and training), compared to C\$13.97 in Quebec, and C\$17.53 in New US plants. More than four-fifths of respondents cite high employee turnover and absenteeism as a drawback in Ontario. They are also strongly critical of government intervention.

The cost of social programmes has become more than just an annoyance, "one executive is quoted as saying. "Recovering the stiff competition for corporate investment, the Ontario Government is playing to its strengths by also making a pitch to immigrants with money to spare."

For the past six years, the industry ministry has shown groups of British and West German entrepreneurs around the province, with a particular eye on retail and service businesses outside Toronto.

Hong Kong has become a big source, with investors putting their money into Ontario enterprises as diverse as a struggling garment-maker and a rural golf course.

Mr Hildebrand says one of the tricks is to look for trouble spots around the world where people are eager to uproot themselves and their money. Political objections have so far kept his department's marketing teams away from Taiwan and South Africa, two of the richest lodes of wealth and skills seeking a new home,

How the tariff walls tumbled

ABOUT 25 per cent of US-Canada trade was subject to customs duties when the free trade agreement (FTA) between the two countries came into force on January 1, 1989. Under the FTA, all these remaining duties will be eliminated by the beginning of 1990.

Some, on items such as computer equipment, leather and ferro-alloys, were abolished when the FTA took effect.

Other selected items are to be phased out in equal steps over either a five or 10-year period. But in the wake of a torrent of requests from businesses on both sides of the border, tariff cuts on about 400 items, representing two-way trade of about C\$10m a year, were accelerated in April 1990.

These products included petrochemicals, aluminium, telecommunications equipment and diesel locomotives.

With Washington and Ottawa having received several hundred more requests for accelerated dismantling of tariffs, these reviews are likely to become an annual event.

The benefits of the FTA apply to goods originating in Canada or the US, or which have been "transformed" in either country to the extent that they qualify to be moved from one tariff heading to another.

Automotive exports from Canada are entitled to duty-free treatment, provided 50 per cent of direct production costs are incurred in Canada.

A Canadian embargo on used car imports from the US is being lifted in stages to 1998 when free movement will be allowed.

The FTA makes it easier for business people from one country to work temporarily in the other, including intra-company transfers.

It also provides for "national treatment" in a wide range of sectors, meaning that neither country can impose rules on the other's imports without the same requirements applying to its own products or services.

The agreement sets up a new mechanism to resolve trade disputes between the two countries, but does little to take the sting out of the issue of subsidies, probably the most contentious point of friction between the two countries.

Progress on the subsidies issue is not expected before completion of the Uruguay round of multilateral trade negotiations.

PAY POLICY The elusive value of a job

ONTARIO has some of the world's toughest pay-equity laws, and implementing them is frustrating for business and disappointing for women.

All public sector employers with 500 or more workers had to post plans by January 1, explaining how they would revise pay scales to provide equal pay to men and women for work of equal value. About 20 per cent failed to meet the deadline.

The Ontario Government was among the stragglers. But while employers grumble, women's groups complain the laws are too weak: as many as 700,000 women are not covered by the legislation.

The critics complain the legislation will not do enough to narrow the wage gap between men and women. In Ontario, women earn, on average, about 64 per cent as much as men. About one-third of the difference is blamed on wage discrimination.

Pay equity in Ontario goes beyond US legislation and other Canadian provinces, which generally applies only to public employees. All employers in Ontario with more than 10 workers must assess jobs if more than 60 per cent are held by women.

The jobs are graded according to skills, effort, working conditions and the responsibility they require, and are then compared to jobs held mostly by men. If a woman's job is deemed equally valuable to a man's job but she is paid less, employers must raise the woman's salary.

Private employers can do this gradually, spending a minimum of 1 per cent of their payroll each year. Public employers must complete all raises by 1995. The law prohibits lowering men's wages to bring them in line.

"People are really on the edge of their chairs, waiting to see what happens; other provinces are watching and there's quite a lot of interest from the US," said Ms Wendy Cuthbertson, of the Ontario Pay Equity Commission.

There are some deadlines for private employers. Companies with 100-499 employees must post plans by January 1, 1991, those with 50-99 workers post by January 1, 1992 and smaller companies by 1993. Pay adjustments must begin no later than one year after the plan is posted. "We received about 30,000 phone calls since the legislation was passed," Ms Cuthbertson said. "We're just now starting to get calls from the second wave of employers."

About 3,800 companies must meet the January 1, 1991 deadline. Analysts have estimated pay equity will push up company payrolls an average 5 per cent, but raises for individuals have varied widely.

Warner Lambert-Canada, confectionery maker, found only 40 staff were affected, winning raises of 1.2 per cent. IBM Canada said it will make no

adjustments. However, among the province's 6,500 public sector employers, some workers are winning big rises.

At the University of Toronto, pay equity increases will add about 3 per cent or C\$3m to the annual payroll. Eight nurses at the university will see their annual salaries jump almost 45 per cent, from C\$37,376 to more than C\$54,000.

The Canadian Union of Public Employees, Canada's biggest union, has won annual wage rises of C\$3,984 for classroom assistants in Toronto's Roman Catholic schools. Secretaries at the York Region School Board will see their salaries increase by 22 per cent to bring them in line with wages paid to maintenance foremen.

When the Ontario Government posted its plan - two months past its own deadline - it promised to pay C\$5m over three years for adjustments for about 30,000 women. Men account for about 56 per cent of those receiving wage rises.

The availability of cash to help men as well as women makes it easier for some companies to accept the legislation. Pay equity specialist Ms Lynne Sullivan of William M. Mercer pointed out if companies evaluate all jobs, not just women's jobs, they can streamline operations and increase efficiency. But the legislation has many detractors.

Some companies appear reluctant to negotiate pay equity, citing the cumbersome process of analysing jobs and fears of divisive pay disputes with men and women. Talks have broken off at Canada's largest newspaper, The Toronto Star, with the union accusing management of bargaining in bad faith. And some women are unhappy with the job comparisons.

A group of nurses at a Toronto hospital were refused raises after job assessments equated them with the institution's pastry chef. Women's groups criticise the law for demanding comparisons between female-dominated and male-dominated jobs, charging it deprives hundreds of thousands of under-paid women.

They point out companies in so-called "female job ghettoes" - fields such as child care or nursing which traditionally employ women at low pay - often have no male employees to serve as comparison.

These concerns have led Ontario's Pay Equity Tribunal, the final arbiter of pay equity disputes, to a bold decision that has made employers even more nervous. In one case, a group of public health nurses was not going to win pay equity increases because their employer had no male-dominated job class. The tribunal ruled that local police should be considered employees of the municipality, instead of the police commission, in order to give the nurses a raise.

Jennifer Lanthier



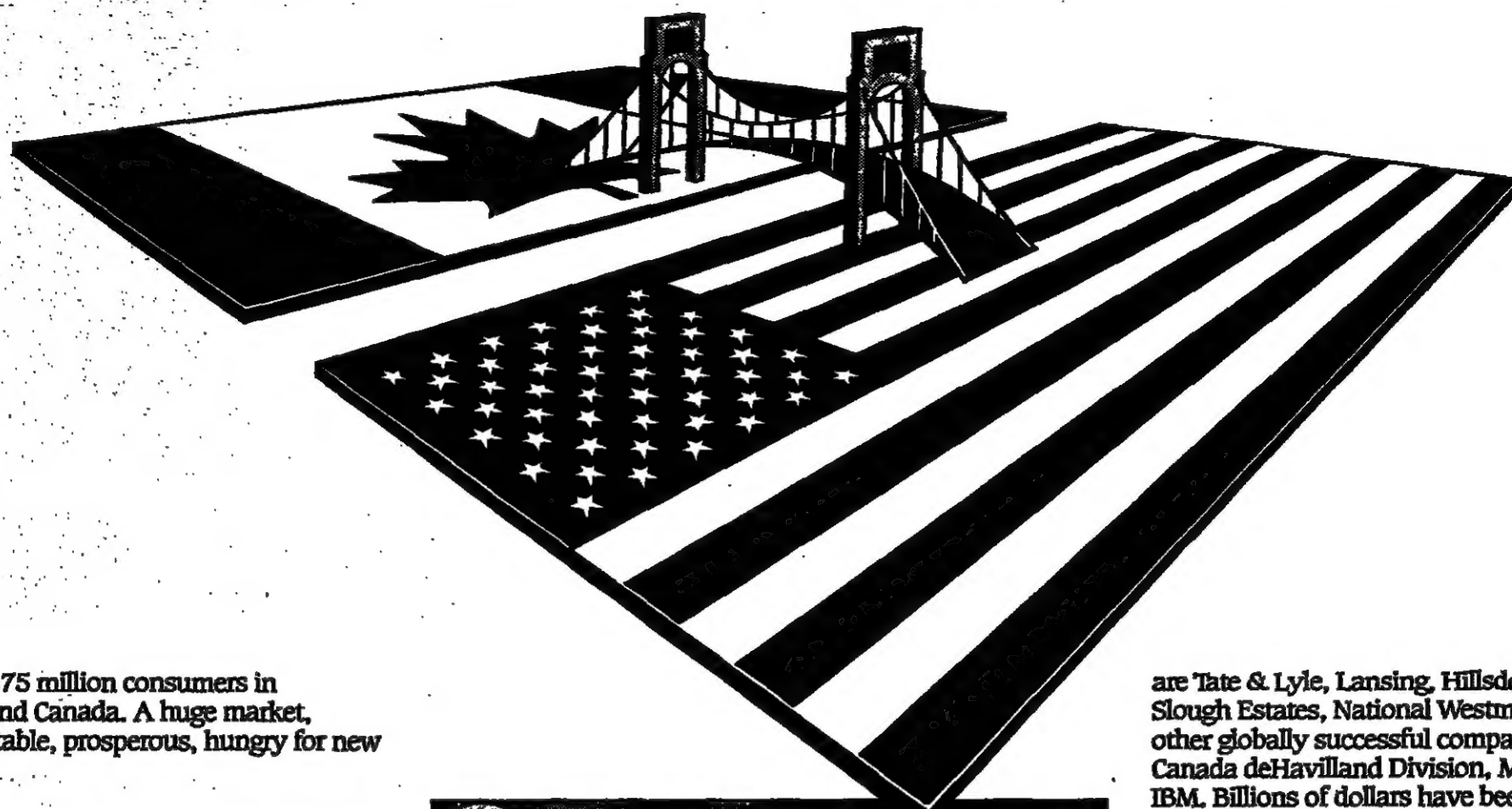
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ONTARIO 4

A tale of three cities: Bernard Simon profiles Toronto, Sudbury and Windsor and assesses their varying fortunes

More than just a metal town

THE SLUMP in world metal markets in the early 1980s spurred a remarkable transformation in the fortunes of Sudbury, centre of Canada's - and much of the western world's - nickel mining industry.

Although Inco, the city's biggest employer, has shrunk its workforce from 13,000 to 8,000 in the past eight years, a drive to diversify the local economy has helped Sudbury stage a vigorous comeback.

Equally important, the broader base should ensure a softer landing for Sudbury when the nickel market takes its next dive.

Unemployment in the area has tumbled from a peak of 19.2 per cent in 1982 to less than 8 per cent, roughly the national average.

Retail sales have more than doubled and the value of new construction was five times higher last year than in 1982. The regional municipality has stopped taking on debt and

we could all bitch at something else."

The 10 task forces then came up with an impressive variety of ideas. A make-work project started in the depths of the recession employed 4,600 people to replant some of the trees and grass killed by the pollution from the nickel producers' smelters.

Every association of any kind in the city was encouraged to search for conventions and sports meetings - the results have included the World Junior Games and the Canadian figure-skating championships.

Sudbury's improved fortunes owe much to government largesse. The federal authorities have set up a taxation centre in the city which processes tax returns for the whole of Ontario, except Toronto and Ottawa.

The Provincial Government is moving its entire ministry of northern development and mines, about 500 people in all, from Toronto to Sudbury.

The improved nickel market has helped. The two nickel producers, Inco and Falconbridge, remain the city's biggest employers, and have pumped substantial sums of money into the local economy.

Inco has paid out C\$88m in cash bonuses over the past two years, in accordance with a labour contract which provides for quarterly payouts whenever the nickel price exceeds US\$25 per lb.

The company's spending will reach a peak this year on a C\$500m programme to install a new smelter and cut sulphur dioxide emissions from the 1,250 ft tall "super-stack" which dominates the Sudbury landscape.

Sudbury fans are confident that the city will take the next downturn in nickel prices in its stride. One point in their favour is that the mining companies are likely to lay off fewer employees than last time.

Inco's workforce is an average of 47 years old, and 1,200 of its workers are eligible to retire on full, partially-indexed pensions.

The nickel industry has more pensioners than workers living in Sudbury. On the other hand, Sudbury is unlikely to escape a metals slump unscathed.

A senior Inco official notes that "the region has diversified, but a lot of that diversification is still dependent on the mining industry's health."

SUDBURY: the centre of Canada's nickel mining industry

expects to finance all capital works from current revenues by 1993.

From being a one-industry town, Sudbury, which is 250 miles north of Toronto, has become north-east Ontario's centre of government, transport, medical services and education.

Mining's share of total employment has fallen from more than a third in the 1970s to about 15 per cent. At the same time, the city has tried to build on its mining base.

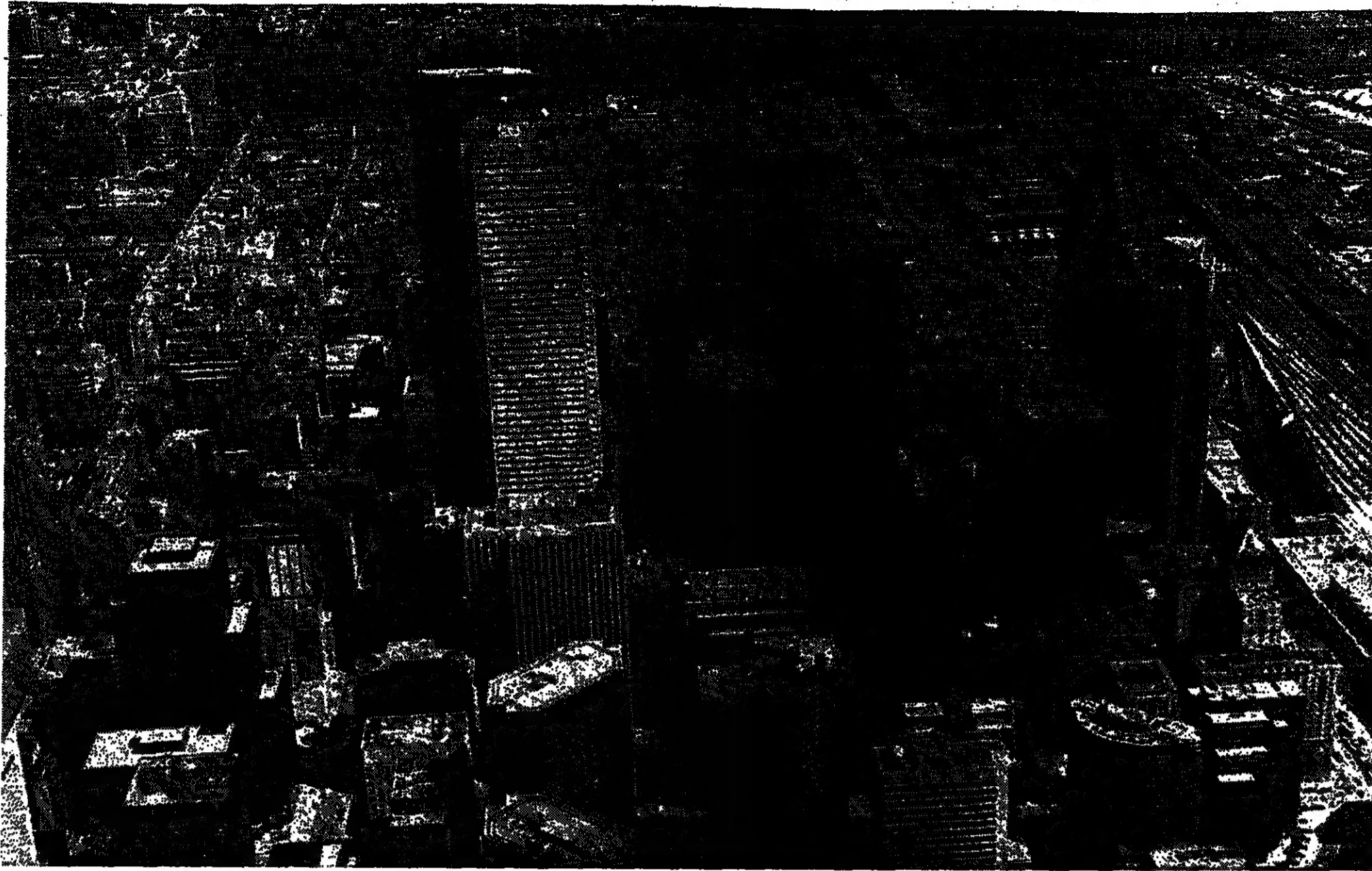
A mining-oriented Science Centre which opened in 1988 has spawned a modest tourist industry.

The latest lift to efforts to draw mining research to the area is an underground neutrino observatory deep down an Inco mine.

Much of the credit for Sudbury's revival is given to Mr Tom Davies, the energetic chairman of the regional municipality.

Mr Davies, a former car salesman, has used shrewd political instincts, a salty tongue and a knack for putting firecrackers in the right place, to harness government, business, labour and social groups.

Recalling the 1981-82 slump, Mr Davies says: "All of a sudden a bomb was dropped on everybody's head. This was the first time in our history that



Toronto, Canada's largest city: where the 3.5m residents are divided by the city's bid to host the 1996 Olympic Games

A choice between bread and circuses

THE 3.5m residents of Toronto have decidedly mixed feelings about their city's bid to host the 1996 Olympic Games.

For many, being chosen for the Games would be the crowning glory to a decade of unparalleled growth.

It would provide an opportunity to show the rest of the world at least one North American metropolis where it is safe to walk the streets at night and pleasant to live even in the downtown core. But the bid also has its critics, who have united under an umbrella group called Bread, not Circuses.

They contend that after years of pell-mell growth, Canada's biggest city needs all the time and resources it can spare to catch its breath, rather than chase after a two-week sports extravaganza.

The heavy expansion of the 1980s greatly strained Toronto's reputation as one of North America's best-run and most livable cities. By last year, the average price of a house had soared to C\$280,000, while prime office space was renting for as much as C\$50 a sq ft.

A 25 per cent jump in the city's commuter population since 1982 has far outstripped improvements to public transport and roads. Enormous pressures for new housing and commercial space have all too often allowed property developers to gain the upper hand over city planners.

Drugs, gang violence and homelessness have all become more evident. The economic slowdown which has become apparent since mid-1988 will

help planners make up at least some of the city's population is now flattening out for the first time in eight years, and supply of both housing and office space has caught up with, if not overtaken, demand.

Although listed property prices and rents have so far held up, the scope for negotiation with sellers and landlords has greatly increased. In spite of the strains of the past few years, Toronto remains the envy of many other North American cities.

Its polyglot population, from starchy Anglo-Canadians to vibrant Jamaicans and industrious Chinese, gets along remarkably well. For example, 52 people were murdered in Toronto in 1989, half the number in Boston, a city about the same size.

Toronto owes some of its success to accidents of history and geography. Canada's 52 people were murdered in Toronto in 1989, half the number in Boston, a city about the same size.

It has benefited by displacing Montreal as Canada's financial services capital. The city fathers deserve some of the credit too. Some important

decisions over the past 40 years have made the main business district more accessible and vibrant than most US cities, while creating a more balanced mix of neighbourhoods in the suburbs.

Unlike most US cities, Toronto has a strong and well-established regional Government. The Metropolitan Toronto Council, which represents six adjacent municipalities (of which the City of Toronto is one), decided at an early stage on a fair share policy of distributing low-income housing throughout the region.

Setting up high-density urban hubs was made easier by an efficient public transport system, described by Mr Peter Tomlinson, the director of planning and development, as a "countervailing force to the automobile."

Toronto claims that 99 per cent of its residents live within a seven-minute walk of a bus, tram or subway. The city has tried to keep the downtown area alive by promoting residential development, mostly in the form of mixed-use projects. About 150,000 people live

in and around the inner city. The growth of the downtown population has left a few scars. Some of the newest residential units are ugly high-rise apartment buildings on reclaimed land overlooking Lake Ontario, which was originally earmarked for parkland and tourist facilities.

The Crown corporation which oversees the harbour front area overcame a cash crunch in the early 1980s by giving developers virtually a free hand in putting up new buildings. Further development has been frozen for the time being.

Two of the city's important projects over the next few years aim at a further expansion of housing in the central area, especially for lower-income groups. If Toronto succeeds in its bid for the Olympics, the athletes' village will be built on disused railway marshalling yards under the shadow of the CN Tower, and later turned into about 7,000 housing units.

Development of the site will go ahead even if the Olympics bid fails, but at a slower pace.

The city has assembled another 60-acre parcel of under-used industrial land east of the financial district to be used primarily for housing.

One of the biggest challenges for Toronto's planners is to find a way of expanding the business district southward towards the lake front. Although the two are within a few hundred yards of each other, they are separated by railway lines, a trestle of expressways and an unsightly wasteland of parking lots and dilapidated buildings.

A start has been made by building a light rail track to the harbour front and a passageway pedestrian walkway (with its own fresh air supply) next to a road tunnel under the main railway station.

One bold proposal has suggested that the highways which bisect the area should be replaced by a tunnel under Lake Ontario. The tunnel could be at least partially financed by selling development rights on parcels of land which become available once the existing highway is demolished.

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Risks and rewards of a place on the frontier

NOWHERE IN Canada are the rewards and risks of freer trade with the US more apparent than in the border city of Windsor, Ontario.

Windsor, a five-minute drive from downtown Detroit through a tunnel or across the Ambassador Bridge, has for 25 years reaped the benefits of the Auto Pact, the 1965 automotive trade agreement which created an integrated North American motor industry.

General Motors, Ford and Chrysler between them have 10 factories - including assembly lines for Chrysler mini-vans and commercial vehicles - in the Canadian city.

When parts suppliers are included, the automotive sector makes up almost two-thirds of Windsor's manufacturing output. Like Detroit, Windsor is no longer the magnet it used to be. The city's population has stagnated at just below 200,000 inhabitants for the past decade.

Japanese and South Korean car makers have chosen more rural sites for their four Canadian assembly lines, put off by a unionised and ageing workforce. Only a handful of new parts plants have come to Windsor.

Mr Gerry Bastien, local director of the Canadian Auto Workers union, adds: "When labour-intensive plants can go to Mexico and pay one-tenth of what we're paying, I don't know how we can win the battle." Similarly, local food processors are concerned that the elimination of tariffs under the US-Canada free trade agreement will leave them vulnerable to US competitors, who can count on cheaper raw materials.

Windsor is the home of Hiram Walker, the venerable Canadian distiller bought by the British food and beverage group Allied-Lyons in 1988.

Empty shop windows in the main shopping area are evidence of the heavy price local merchants have paid for the sharp rise in the Canadian dollar, which has drawn Canadians in border towns throughout the country to US shopping malls.

Development commissioner Mr Paul Bondy estimates that Windsor residents are spending about C\$1m a week across the border on clothes, fuel, appliances and other consumer goods. In an effort to get some

of that business back, tenants of Windsor's biggest mall last month organised a three-day "Great Canadian Dollar Event," offering a 15 per cent discount (almost the gap between the Canadian and US currencies) on all merchandise.

Windsor, which by a quirk of geography lies due south of Detroit, has little choice but to try and turn adversity into a virtue.

Having had slower growth than Toronto and other big North American cities for the past eight years, it can now offer housing, office space and industrial land which, in relative terms, are even cheaper than they were before the price rise.

It has been spared the decay,

violence and social problems which bedevil its much bigger neighbour across the river.

While not burdened by Detroit's problems, local residents are quick to point out that they can easily take advantage of its restaurants and cultural events. And living in one of Canada's most southern communities, the people of Windsor can, in Mr Bastien's words, "get on the golf course three weeks earlier than they can in Toronto, and stay on three weeks longer."

The city is pinning some hopes on persuading the Ontario and Federal Governments to give it a bigger share of civil service offices which, with the notable exception of the local customs post, are virtually non-existent.

Windsor opened a development office in Toronto recently to try to get its point across more forcefully to provincial politicians.

The other arrow in Windsor's bow is an ambitious 35-acre riverfront development which the president of the local chamber of commerce Mr George King predicts "will change the image of the city as a crime-ridden American city."

The project, geared to tourism and recreation, may include a marina, parkland and boutiques. Formerly used as railway marshalling yards, the site is due to be levelled by September 1990.

The municipality has appointed as consultants Edaw, the same Virginia-based company which helped design the Vietnam war memorial in Washington DC and a heritage park in Auckland, New Zealand.

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John Fox examines the direction of legislation to safeguard the environment

Cleaning up can be dirty work

THE business community and the environment lobby have grown dissatisfied with the way Ontario administers its anti-pollution laws, which are among the most stringent in North America.

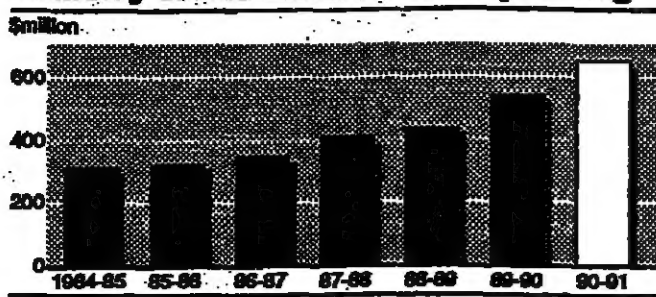
Companies want more predictability, environmentalists want a broader application, and both want the rules to be streamlined and more efficient.

Mr James Bradley is the province's Environment Minister and he has earned a reputation as a hard-nosed environmental policeman who seems to prefer confrontation to conciliation.

Mr Bradley is a member of Premier David Peterson's inner circle of senior ministers and took the environment job in 1985 with a strong election mandate to crack down on polluters.

He has tackled the assignment with vigour. Prosecutions for pollution offences have more than quadrupled in the past four years to almost 260 in

Ministry of the Environment spending



recent report by the Ontario Law Reform Commission, an independent group which offers the Government advice on legislative policy, recommends that individuals, even those who haven't suffered direct harm from pollution, be allowed to sue companies on behalf of society at large for environmental damage.

Mr Bradley has also taken a hard line on garbage. His target is to cut waste going into Ontario's dwindling municipal dumps by 50 per cent by the end of the decade.

An important element to reaching that goal is the provincially-funded household waste-recycling program, which involves more than 2m households.

In typically combative fashion, Mr Bradley recently threatened companies not doing their part to support recycling that they may be forced to label their products with an unpleasant logo and to caution consumers that the product contributes to the province's rubbish problem.

Mr Bradley's hard-line style has generally won praise from environmentalists who say Canada's industrial heartland

is long overdue for action against polluters.

The province has been ravaged by acid rain, most originating from the smokestacks of the US mid-west, which has damaged an estimated 19,000 lakes.

Smog from automobile exhausts has fouled the air and farmland in the province's main transportation corridor along the north shore of Lakes Erie and Ontario.

Among the highest profile

the other side of the coin, the business and legal communities chide Mr Bradley for going too far in his crusade against polluters.

They say his litigious style has forced companies to divert funds for legal help instead of concentrating on cleaning up their operations.

Mr Eileen Kellock, a lawyer with the Toronto firm of Blake Cassels & Graydon, says the Ontario Environmental Protection Act, centrepiece of 26 statutes regulating pollution in the province, is so vaguely worded that it could make an environmental offence out of driving a car or playing a radio too loudly.

"The real problem with legislation like the EPA is that it is difficult to know before the fact what acts or emissions (environment ministry investigators) will consider to be offences from time to time," Mr Kellock said.

Combined with growing political pressure for action against polluters, Mr Kellock said broad interpretations of the EPA mean "the risks of fines and imprisonment... that executives now face are likely to escalate in the near future."

In other areas, businesses and environmental groups have come together in calls for legislative reform. For example, they want the province's Environmental Assessment Act to be streamlined.

The 16-year-old statute, the first of its kind in Canada, allows opponents of both private and public projects with a widespread environmental impact to call for an elaborate process of public hearings.

However, the Environment

Ministry doesn't have enough staff to analyse the mountains of documents regularly submitted to support development proposals, and hearings can add two to three years to the approval process. The costs and uncertainty have left developers and their opponents weary.

Mr Bradley is looking for ways to streamline the process without taking away its teeth. A proposal is expected later this year.

Mr Bradley is at the regulatory drawing board with an initiative called the Municipal-Industrial Strategy for Abatement.

The programme's goal is to eliminate all persistent toxic chemicals from industrial waste and municipal sewage.

Under the programme, companies in nine industrial sectors - industrial minerals processing, petroleum refining, organic chemicals, iron and steel, pulp and paper, inorganic chemicals, metals min-

ing, metal casting and electric power generation - must monitor discharges of about 300 toxic chemicals.

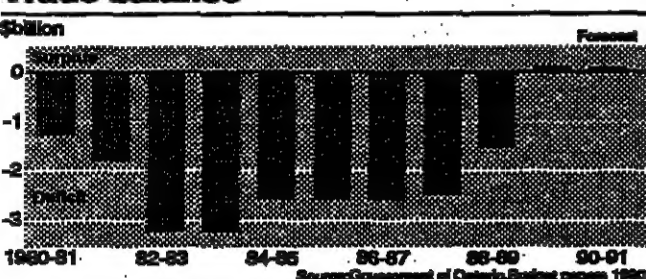
The Government plans to use the data to set stringent emission standards, based on the best "economically achievable" technology.

The first set of rules, for the petroleum refining industry, may be in place as early as next year.



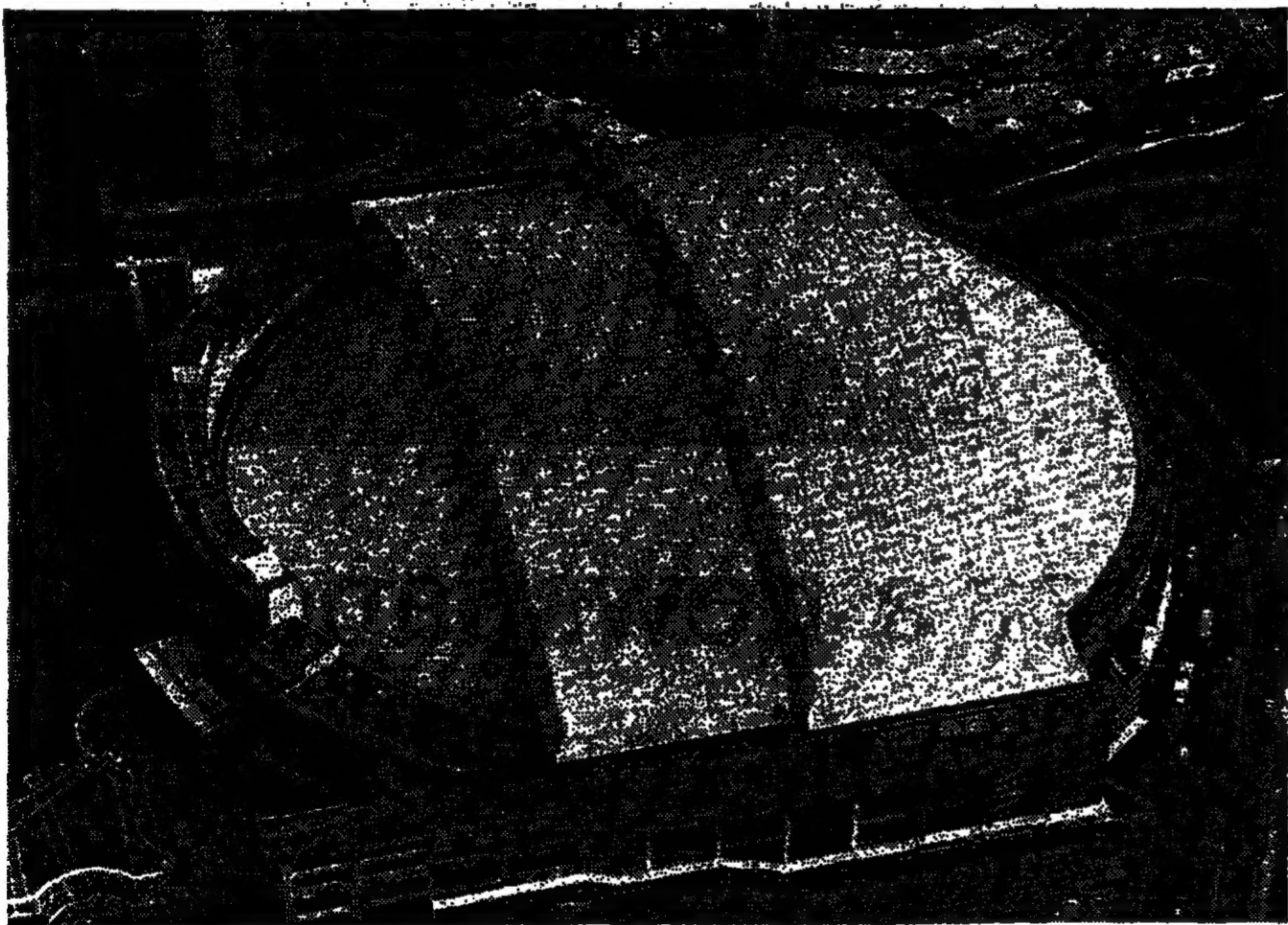
Statue of Winston Churchill outside the Toronto City Hall

Trade balance



FACT FILE

Population	8.5m	GDP by economic activity (1988)	
Area (000)	616.7 sq km	Manufacturing	26.1%
Premier	David Peterson	Finance, insurance	15.7%
		Wholesale and Retail Trade	12.4%
Total GDP (C\$bn)	242,558	Public Administration	5.5%
Real GDP growth	4.5%	Construction	6.7%
Exports 1987 (C\$bn)	61.9	Transport and Communication	6.0%
Imports 1987 (C\$bn)	73.6		
Trade balance 1987 (C\$bn)	-12.6	Hospital beds per 1,000 persons 1988	5.6
Inflation 1987	+4.4%	Divorce Rate per 1,000 persons	2.6
Persons per physician 1987	450	Life expectancy (years)	76.4



SkyDome: the world's only large stadium with a fully retractable roof, made from steel and plastic

SKYDOME

Roof weathers higher costs

THERE MUST be something special about a stadium that in less than a year has hosted two Rolling Stones concerts, an international cricket match, the opera Aida, motor cycle races, a wrestling extravaganza, an Australian rules football match and several dozen baseball games. None of these events however, is the main claim to fame of Toronto's new SkyDome, the bulbous structure built on disused railway yards in the shadow of the spindly CN Tower.

The SkyDome is the world's only large stadium with a fully retractable roof, which allows spectators to bask in the mild warmth of the all-weather Canadian summer, but be shielded from the snow, freezing rain and sub-zero temperatures that give Toronto its bad name between December and March.

The steel-and-plastic roof, stented by Toronto architect

Mr Roderick Robb and Ottawa structural engineer Mr Michael Allen, opens or closes in 20 minutes.

It consists of four separate panels covering an area of about eight acres. To open the roof, one quarter-sphere panel rotates 180 degrees from the southern to the northern end

Among the stadium's features is a hotel with 70 rooms

of the stadium, sliding in above the only fixed panel of the four. Two arched-roof sections covering the middle of the stadium then telescope to the north, coming to rest over the first two panels.

Among the SkyDome's other features are a hotel with 70 rooms offering a Royal Circle view of the playing field, the biggest McDonald's fast-food

outlet in North America; a fitness club; and a 650-seat restaurant. Many of the facilities, including all four levels of seating, are accessible to people in wheelchairs.

The number of seats in the stadium depends on the event. Sports traditionalists may be appalled to learn that the biggest draw was April's Wrestling show (more mania than wrestling, many would argue), which pulled in 67,078 people.

Nonetheless, Toronto's baseball team, the Blue Jays, has drawn bigger crowds since the SkyDome opened than any of the other teams in the American league. SkyDome officials hope to attract 4m baseball spectators during the 1990 season which opened last month.

The SkyDome has some critics. The final cost of C\$532m is more than double the original estimate. To the dismay of those with shallower pockets, corporate sponsors who con-

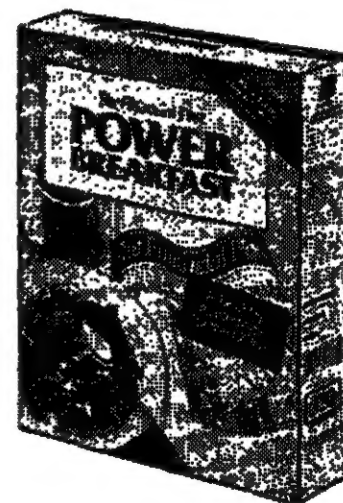
tributed C\$210m towards the cost have seen up advertising rights in the stadium, as well as spectator boxes and many of the best seats.

The SkyDome is run by a provincial Crown corporation and is among the projects aimed at reviving the disused marshalling yards owned by

The cost of C\$532m is more than double the original estimate

Canadian National Railways near Toronto's main railway station. A four-acre park is being built. Next on the drawing boards is a housing and office complex to the west of the stadium designed as the athletes' village if Toronto succeeds in its bid to host the 1996 summer Olympics.

Bernard Simon



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